
Motor vehicles
Japanese industry at a turning point
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Anglo American takes the long view
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How a superhero avoids marketing overkill
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NEWSPAPER OF THE YEAR

FINANCIAL TIMES

Thursday July 2 1992 EUROPE'S BUSINESS NEWSPAPER D8523A

New regulatory board urged for Lloyd's of London

An eagerly-awaited report into the management of Lloyd's of London will today recommend a new framework to manage and regulate the troubled insurance market.

The report, by Lloyds Bank chairman Sir Jeremy Morse, suggests that regulation should be separated from the day-to-day administration and business planning of the market. It proposes a new regulatory board to govern the market along with the existing and much-criticised Lloyd's council. Background, Page 7

Truckers keep up pressure: France was subjected to traffic chaos as truck drivers staged a second day of protest against a government clampdown on dangerous driving. Fresh food was in short supply in Lyons and tourists were stranded at Channel ports. Page 14; More details, Page 2

Weinstock's warning: Cancellation of the European fighter aircraft could hit General Electric Company's radar factories in Edinburgh, managing director Lord Weinstock said after announcing a 1 per cent increase in pre-tax profits to £829m ($1.6bn) last year. Page 15; Future of the European fighter, Page 5; Lex, Page 14

Threat to Eurobond market: European regulations for the securities industry agreed this week could lead to large areas of the offshore Eurobond market being driven back on to domestic stock markets, say senior bankers. Page 15

Unionists accept talks with Dublin:

In a move that takes the politics of Northern Ireland into uncharted territory Unionist and nationalist leaders agreed to substantive negotiations with the Irish government. British and Irish ministers are also to start talks on their relations. The breakthrough, brokered by Northern Ireland secretary Sir Patrick Mayhew, left, adds a rare sense of momentum to all-party talks on the province's future. Page 8

Maastricht backing likely: The French referendum on the Maastricht Treaty, set for September 20, is likely to secure a solid majority in favour, according to the latest public opinion poll. Page 2; Government bond markets suffer from Maastricht fall-out, Page 19

Ex-employee kills six: A 25-year-old unemployed factory worker shot dead six people and wounded five at his former workplace at Besançon, eastern France, before killing himself.

Agip, oil subsidiary of Italy's state-owned ENI energy group, and British Gas, UK gas group, have won exclusive negotiating rights with Kazakhstan to develop the Karachaganak oil and gas field, one of the biggest in the world. Page 26

Hope of cheaper calls: Telephone companies will come under pressure to cut international charges following a milestone agreement by the International Telegraph and Telephone Consultative Committee in Geneva. Page 4

Algerian assassin: The man who assassinated Algerian head of state Mohamed Boudiaf was a sub-lieutenant in the country's counter-espionage service, the official news agency APS said. Meanwhile tens of thousands of Algerians came out in mourning. Report and picture, Page 4

British Rail sell-off doubts grow: Prospects for the privatisation of British Rail worsened after it announced pre-tax losses of £144.7m ($357.7m) for the year to March 31 compared with a modest loss of £10.9m in the previous year. Page 8

British Aerospace is to have talks with Taiwan Aerospace on a possible joint venture to build regional jet aircraft. Page 15

WPP, marketing services group with bank debts of $1bn, announced it had signed agreements with its 28-bank syndicate whereby $271.6m of the debt would be exchanged for about 239.5m new convertible preference shares. Page 15

Fishing ban: Canada is expected to impose an 18-month ban today on all cod fishing off the coast of Newfoundland and Labrador. Page 26

Princess's marriage ends: The Vatican announced that it has granted an annulment to Princess Caroline of Monaco, ruling that her 1978 marriage to Philippe Junot never officially existed in the eyes of the Church.

STOCK MARKET INDICES

FT-SE 100:	2,493.9	(−27.3)
Yield	4.89	
FT-SE Eurotrack 100	1,132.36	(−6.94)
FT-A All-Share	1,204.85	(−1.0%)
FT-A World Index	138.94	(+1.0)
Nikkei	16,325.87	(+373.34)
New York:		
Dow Jones Ind Ave	3,354.10	(+35.58)
S&P Composite	412.88	(+4.74)

US CLOSING RATES

Federal Funds:	3⅞%	(3¾%)
3-mo Treas Bills: Yld	3.611%	(3.362%)
Long Bond	102⅞	(102$\frac{11}{32}$)
Yield	7.744%	(7.773%)

LONDON MONEY

3-mo Interbank	10$\frac{1}{16}$%	(10⅛%)
Liffe long gilt future:	Sep 98$\frac{11}{32}$	(Sep 98⅛)

NORTH SEA OIL (Argus)

Brent 15-day (Aug)	$20.55	(20.775)

Gold

New York Comex (July)	$344.3	(344.4)
London	$344.15	(343.55)

STERLING

New York:		
$	1.9045	(1.9045)
London:		
$	1.911	(1.904)
DM	2.9	(2.9)
FFr	9.755	(9.7575)
SFr	2.61	(2.6175)
Y	238.75	(239.75)
£ Index	93.2	(93.1)

DOLLAR

New York:		
DM	1.52365	(1.5227)
FFr	5.1245	(5.1245)
SFr	1.37	(1.3725)
Y	125.35	(125.625)
London:		
DM	1.517	(1.5235)
FFr	5.105	(5.125)
SFr	1.3655	(1.3745)
Y	124.8	(125.85)
$ Index	60.9	(61.2)

Tokyo close Y 125.43

Austria	Sch30	Hungary	Ft162	Malta	Lm0.50	S.Arabia	SR9.00
Bahrain	Din1.000	Iceland	IKr180	Morocco	MDh11	Singapore	S$4.10
Belgium	BFr60	India	Rs20	Neth	Fl 3.50	Spain	Pta200
Cyprus	C£1.00	Indonesia	Rp3800	Nigeria	Naira20	Sweden	SKr14
Czech	Kcs35	Israel	Shk5.50	Norway	NKr15.00	Switz	SFr3.00
Denmark	DKr14	Italy	L2500	Oman	OR1.20	Thailand	Bht50
Egypt	E£4.00	Jordan	JD1.20	Pakistan	Rs35	Tunisia	Din1.000
Finland	FM10	Korea	Won 2500	Philippines	Pso45	Turkey	L6000
France	FFr8.50	Kuwait	Fils 500	Poland	Zl 18,000	UAE	Dh9.00
Germany	DM3.30	Lebanon	US$1.25	Portugal	Es190		
Greece	Dr250	Lux	LFr60	Qatar	QR10.00		

Bonn gives go-ahead to austerity budget

By Quentin Peel in Bonn

MR THEO WAIGEL, the German finance minister, yesterday won cabinet approval for an austerity draft budget for 1993, imposing widespread spending cuts to finance a continuing heavy transfer of subsidies to eastern Germany.

He presented the deal as "a political signal" for next week's Group of Seven economic summit in Munich. He said it complied point by point with Germany's commitment made last January to reduce its budget deficit.

The budget was put to cabinet two weeks early in an effort to show Germany's good faith to the G7. Germany was strongly criticised at the last G7 meeting in Washington for its disturbingly high public sector deficit.

In the budget, overall spending is kept to a strict 2.5 per cent nominal growth rate, well below current inflation, and the government's net borrowing requirement will be cut by DM2.5bn ($1.58bn) to DM38bn next year. By 1996, the plan is to reduce government borrowing to "well under DM25bn", Mr Waigel said.

The draft budget proposes its biggest savings in defence spending – down by 2.5 per cent from DM52.1bn to DM50.8bn.

That budget also does not include DM110m for the pre-production phase of the European Fighter Aircraft (EFA), following the political decision not to go ahead with the fighter as currently planned, but to design a cheaper derivative.

Net savings are also planned in the economics ministry budget, which includes regional subsidies and trade promotion, down by 4.8 per cent, and in environment spending, down by 3.5 per cent to DM1.29bn.

On the other hand the heavy spending drain remains overwhelmingly in eastern Germany, with an 8.8 per cent increase in the employment ministry budget – paying for unemployment benefit, retraining and job creation measures.

The biggest increase of all is for the transport ministry, up 10.7 per cent to DM44.25bn, with huge spending programmes on roads and railways in the east.

Overall, the Waigel budget would see spending next year rise from DM425.1bn to DM435.65bn, or 2.5 per cent.

The minister told a press conference yesterday he did not expect further pressure from his G7 partners at the Munich summit, for further action to curb the deficit, or for early measures to cut interest rates.

He said that high interest rates were not the only factor restraining growth, pointing to the fact that Germany's long-term rates have actually been declining, although the Bundesbank's short-term discount rate is at a historical high.

The draft budget was immediately questioned by the opposition Social Democrats, who suggested that it was based on wishful thinking and anti-social policies.

Mr Helmut Wieczorek, the budget spokesman of the SPD, forecast a new supplementary budget next year, to break the 2.5 per cent spending limit, and accused Mr Waigel of playing "accounting tricks" to bring down his 1995 spending by DM28bn to keep on target.

FUTURE OF THE EFA

Page 6
- *Germany will continue development spending*
- Three nations assess cost of going it alone

Page 12
- *Editorial Comment:* Credibility test for Bonn

Investors spurn sale of Telegraph shares

By Maggie Urry, Terry Byland, Richard Gourlay and Roland Rudd in London

THE £84.5m ($156.3m) share issue by The Telegraph, Mr Conrad Black's UK newspaper group, has been spurned by investors, raising doubts about a number of other forthcoming issues.

When the public offer closed at 10am yesterday, applications for only 3m of the 13m shares available had been received. The other 10m shares will be taken up by underwriters. Another 13m shares had already been placed with institutional investors.

The shares are now expected to trade at a discount to the 325p issue price when dealings begin next Wednesday.

The failure reflects, in part, the fall in the stock market in recent weeks. Before the Telegraph outcome was announced, the FT-SE 100 yesterday had fallen 27.3 points to close at 2,493.9, its first finish below 2,500 since the general election on April 9.

The index has fallen nearly 9 per cent from its peak of 2,737.8, achieved on May 11.

The lack of interest in The Telegraph's shares, after the last-minute cancellation in June of the flotation of GPA Group, the aircraft leasing company, is expected to put pressure on other share issues in the pipeline.

Last night Del Monte Foods International, the processed fruit manufacturer, said it was delaying its planned flotation until early next year. It looked at floating the company in November.

A planned flotation of 3i, the venture capital group, had already been postponed.

Merchant bankers said other forthcoming issues would have to be priced more conservatively.

Advisers to MFI Furniture Group, the retailer, last night were setting the price for its flotation. It is due to be announced today and is now expected to be well below earlier indications of up to 145p, possibly in the 120p to 125p range.

The biggest imminent share issue is the sale of 330m shares in Wellcome, the drugs group, which was expected to raise about £2.8bn for the Wellcome Trust, the medical charity. Advisers to the Trust said last night: "The Telegraph is an entirely different cup of tea to Wellcome."

Investors had particular concerns about The Telegraph's issue. They said the price, valuing the company at £435.5m, was too high and they were con-

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Lex, Page 14
British Bio raises £30m, Page 20
Bidder pulls out of Channel 5 race, Page 7

Show of unity: European Commission president Jacques Delors (centre) meets British prime minister John Major his first day of holding the UK presidency of the European Community. Major promotes image of conciliation, Page 14

UN relief operation ready to relieve Sarajevo

By Laura Silber in Belgrade, Judy Dempsey in London and Nancy Dunne in Washington

A MASSIVE United Nations relief operation aimed at feeding the 300,000 starving inhabitants of the besieged Bosnian capital, Sarajevo, is expected to be launched today.

The operation will be assisted by 1,200 Canadian troops, whose scheduled arrival in Sarajevo today from Croatia was delayed by minefields outside the city.

The troops, equipped with 80 armoured personnel carriers, will immediately take control of the airport, which until last Monday was blockaded by Serb irregulars and Serbia's proxy Bosnian army.

Western governments and international relief agencies are on standby, ready to send food to Sarajevo, under siege for 86 days.

Yesterday, local inhabitants got their first fresh water for weeks after UN troops delivered 27 tons of supplies to charities representing Moslems, Serbs and Croats – Bosnia's main ethnic groups.

The aid was delivered by four French aircraft after Sunday's visit to Sarajevo by Mr François Mitterrand, the French president.

But UN officials and local people warned that any upsurge in the fighting could jeopardise the relief operation. Mr Radovan Karadzic, a leader of the Serb irregulars, promised to court-martial anyone who broke the ceasefire.

A western diplomat dismissed his threat, issued only to international news agencies but not to the Serbian media, as "a public relations exercise" not mounted in good faith. The besieged suburb of Dobrinja was attacked by Serb irregulars again yesterday.

In Washington, President George Bush said he had "no plans at this juncture" to use the six US warships which have been moved from the Mediterranean Sea into the Adriatic.

He said he was "appalled at the human suffering and the killing in Sarajevo ... We will do what we are called upon to do ..."

Appearing on a morning television chat show, Mr Bush said the forces were meant to "send a signal to the people over there that we're serious". They include four warships carrying marines, plus attack and transport helicopters which could provide air cover for food aid distribution efforts.

Tanjug, the Belgrade-based news agency, accused the US of wanting to intervene militarily in Bosnia. "It is very likely that Washington is waiting for a motive for intervention and, without any doubt, it will intervene if it gets the motive," it said.

South African unions call for 'general strike'

By Michael Holman in Johannesburg

SOUTH AFRICA'S largest trade union grouping called yesterday for a "general strike of unprecedented proportions" to begin on August 3.

The move is the latest and potentially most serious of a series of "mass action" measures adopted by unions and other anti-apartheid organisations designed to force President F.W. de Klerk to concede majority rule.

Mr Jay Naidoo, general secretary of the Congress of South African Trade Unions (Cosatu) told a press conference yesterday: "We are determined to remove this government from power." Cosatu is a close ally of the African National Congress.

"Millions of people are going to force them [the government] out of power," Mr Naidoo said.

Cosatu has in the past demonstrated a capacity to organise one or two-day stoppages. But plans to impose a longer strike will have to take into account the country's high unemployment rate and a weak union structure in many industries.

The critical factor will be the political mood at the time called for the strike. If the parties to the constitutional talks, currently in stalemate, are back at the negotiating table, Cosatu may have to reconsider its tactics.

Efforts to break the stalemate continued yesterday, both at home and abroad. Mr de Klerk went on with the process of introducing an international dimension to a resolution of the crisis by adding three more foreign legal experts to the Goldstone Commission, the judicial inquiry into township violence.

Professor Philip Hayman, director of the Harvard Law School Centre for Criminal Justice will serve as chairman of a committee on legislation to guide the conduct of mass demonstrations.

Professor C. Fijnaut from Belgium, and Professor C. Shearing from the University of Toronto, Canada, have also been asked to serve on the committee, which will operate under the auspices of the Goldstone Commission.

The ANC has made an international inquiry into the recent Boipatong massacre one of its conditions for the resumption of constitutional talks.

The possibility of European Community involvement in South Africa emerged last night, amid growing speculation that Mr Douglas Hurd, the British foreign secretary, would lead a troika of Community ministers on a fact finding visit by the end of July or early August.

Further efforts are also under way in Dakar, Senegal, where Mr Boutros Boutros Ghali, UN secretary-general, told reporters at the summit of the Organisation of African Unity that it was likely the UN would step in.

"It can be a UN observer, which we have already done. It can be a UN mediator. It can be a fact finding mission," he said.

Reuter adds: South African police fired shotguns and plastic bullets at anti-government demonstrators in Cape Town. Several of the 4,000 people were wounded.

ANC pulls back from sports boycott .... Page 4
Anglo American sells itself to the world .... Page 15

CONTENTS

Referendum on treaty has been fixed for September 20

French ready to approve Maastricht

By Ian Davidson in Paris

THE French referendum on the Maastricht treaty, fixed yesterday for September 20, is likely to secure a solid majority in favour, according to the latest public opinion poll.

The poll, published in the Figaro newspaper, points towards a 60-40 majority in favour of Maastricht, which is consistent with the trend of previous opinion polls.

But the most encouraging feature of the survey, from the government's point of view, is that only a small minority of voters intend to use the referendum as a platform to express their opinions of President François Mitterrand and the government.

The government's main fear has been that the referendum on Maastricht would turn into a plebiscite against President Mitterrand, whose unpopularity still stands at rock bottom in the opinion polls.

The Figaro poll still leaves a large margin of doubt, since 23 per cent said they would not vote, and 17 per cent gave no reply. Of the remainder, 37 per cent said they would vote "yes", and 23 per cent said they would vote "no".


Mitterrand: good news for unpopular leader

But over two thirds of the sample (68 per cent) said that the electorate should vote in terms of the construction of Europe, and only 21 per cent that the referendum should be used as an opportunity for passing judgment on Mr Mitterrand.

The official campaign for the referendum will last only two weeks, starting on September 6. But knowing that the opponents of the treaty will be campaigning against it throughout the summer, the government is launching a heavy information campaign starting next week.

One million copies of the Maastricht treaty, together with an eight-page explanatory leaflet, will be available in town halls throughout France, as of next Monday.

At the same time, 300,000 copies of an explanatory brochure, entitled "France at the Heart of Europe Understanding Maastricht", will go on sale in news kiosks at FFr10 (£1) apiece.

A second printing of 1m copies of the treaty, together with the accompanying leaflet, will later be made available in departmental prefectures, as well as in holiday resorts.

Finally, at the start of the official campaign, the government will circulate a copy of the treaty to every single voter.

● The French government plans to freeze defence spending in real terms during the next three years, according to the medium-term defence programme it approved yesterday.

The army will be cut from 280,000 men now to 225,000 in 1997.

The cost of nuclear deterrence will be reduced from 30 per cent to 20 per cent of the budget, partly by shelving the Hades short-range surface-to-surface missile, partly by postponing modernisation of the land-based intermediate missile force, and partly by reducing the patrol levels of the submarine nuclear missile force.

Poland warned of early election

By Christopher Bobinski in Warsaw

THE prospect of an early election was raised in Poland yesterday when Mr Waldemar Pawlak, prime minister-designate, told parliament he would resign if it failed to support him.

The crisis came when Mr Pawlak, 32, leader of the Peasant Party, who was designated premier less than a month ago, found himself all but abandoned by three key parties with which he had hoped to form a government. He had refused to relinquish control to them over economic policy.

Mr Pawlak said he would not present candidates for government posts, leaving open the possibility of a last-minute compromise. If he quits, his would be the shortest term of the four prime ministers since the Communists gave up power in Poland in 1989.

The parliament contains about 10 key political groups all increasingly unable to agree on a stable government majority. Should they fail, the 460 deputies can either accept a government proposed by President Lech Walesa or go to the polls, less than a year after the last election.

President Walesa yesterday said he had started to consider dissolving parliament but added he still had "several solutions" on forming a government, one of which included himself as prime minister.

The latest political crisis came against the background of an optimistic economic forecast from the Warsaw Trade School's (SGH) economic monitoring unit. It predicted continuing growth in industrial sales over the summer, with rising exports and domestic sales as a devalued Zloty continues to squeeze imports and boost sales abroad.

The forecast follows results for the first five months which suggested GDP could grow 2 per cent this year, reversing three years' decline.

Sarajevo fight goes on despite ceasefire pact

By Judy Dempsey

THERE have been repeated breaches of the ceasefire agreement, even yesterday as relief supplies started arriving in the besieged city, despite assurances by both sides in the battle for Sarajevo that they will honour any accord.

Both sides have different reasons for breaking it.

The Bosnian Territorial Defence units, under which the Moslem, Serb and Croat defenders are grouped, believe that only military intervention from outside will stop the Serb irregulars and Serbia's proxy Bosnian army from dividing the city on ethnic lines.

They point out that the Serb forces, led by Mr Radovan Karadzic, and General Ratko Mladic, already control large sections of western Sarajevo after repeated bombardment from the surrounding hills and the south-west.

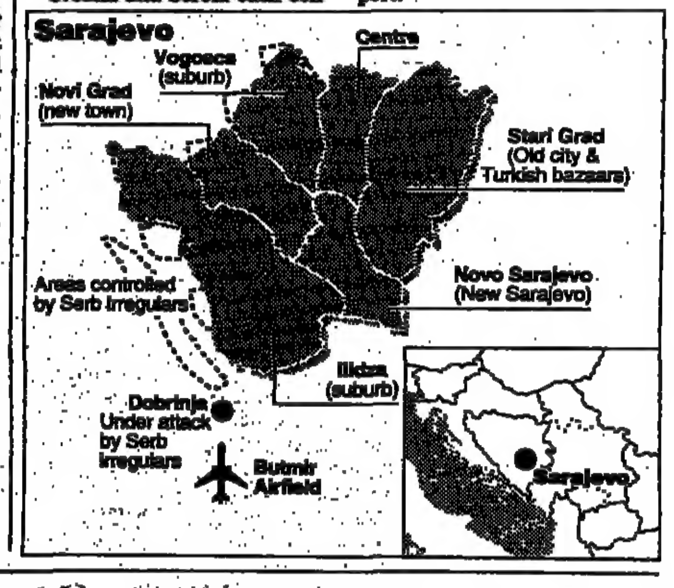
The Moslems, who make up 43 per cent of Bosnia-Hercegovina's population, also argue that outside military intervention alone will guarantee them security and autonomy against moves by Serbia and Croatia to divide Bosnia between them.

Croatia and Serbia each control about a third of Bosnia. The rest is being fiercely contested between Serb and Croat forces, with Moslem civilians and fighters caught in the middle.

In these circumstances, Mr Alija Izetbegovic, the republic's president, has difficulty persuading his supporters to accept a lasting ceasefire. He himself believes it will allow the Serb irregulars to consolidate areas in and around Sarajevo which they already hold.

The Serbs for their part, have withdrawn their heavy artillery equipment from the airport, after much United Nations pressure and US threats of intervention. and Mr Karadzic has ordered his men to honour another ceasefire. Despite this latest promise, Serb units continued yesterday to bombard the Sarajevo suburb of Dobrinja.

An ethnically mixed complex of high-rise flats south-west of the centre, Dobrinja is strategically important for the Serbs. It is sandwiched between the airport, and Ilidza, a Serb-controlled stronghold, west of Sarajevo. Without control of Dobrinja, the Serbs will lose their direct access to the airport.



Russian premier warns against high spending

By Leyla Boulton and Dmitry Volkov in Moscow

MR Yegor Gaidar, the Russian prime minister, yesterday warned Russia was again spending more than it could afford, as deputies threatened to cut taxes

Although a revised 1992 budget increasing the consolidated budget deficit to Rbs308bn, 2 per cent of GNP, sailed through a first reading yesterday, parliament plans today to pass a law to slash an unpopular value added tax from 28 to 14 per cent.

Mr Gaidar warned that such a cut in a central source of income would force reductions in agricultural and military spending and would "destabilise society". He said that an explosion of spending in May had marked the beginning of a new period where "we have begun to allow ourselves to spend more than we can afford".

But Mr Alexander Pochinok, head of the budget committee, accused the government of underestimating revenues and demanded further increases in spending before the budget returns to parliament for a final reading in 10 days time.

Although his accusation seems hard to sustain, what is closer to the truth is that nobody in Moscow, including foreign experts, knows what the true budget figures are.

Mr Gaidar himself claimed, for instance, that the budget's estimates for revenues were over optimistic.

Meanwhile, Mr Yeltsin signed a decree which freezes debts incurred by state enterprises up to July 1, totalling an estimated Rbs2.5 trillion.

The decree allows state enterprises to make a fresh start with a new payments system. This is supposed to replace the old method which allowed state companies to receive goods without paying for them – and expect the state to foot the bill for their debts.

The decree is to be followed by a netting off procedure to wipe out debts which cancel each other out, work out which enterprises are net debtors, and deal with the outstanding debts.

But fierce divisions within the leadership are likely to continue over how to deal with the debt-ridden enterprises as it has not yet been decided how the debts will ultimately be dealt with – whether through a liberal dose of bankruptcies or with fresh government subsidies.

Russian authorities also introduced a new controlled exchange rate of Rbs125.26 to the dollar instead of floating the currency at a market rate as they had originally planned.

Instead of producing a single exchange rate as they yesterday claimed to have done, they are maintaining at least two exchange rates – one controlled, and another determined by the country's official currency market, presently at Rbs144.

Fresh models for east European privatisation

By Ariane Genillard in Versailles

THE ambitious mass privatisation schemes launched in Czechoslovakia and Poland are becoming models for other east European countries.

Government officials and western advisers gathered at the weekend in Versailles to discuss the advantages of distributing state-owned assets to citizens in the form of vouchers.

Privatisation officials from all eastern European countries, as well as from Russia, Ukraine and the Baltic republics, placed emphasis on the need to ensure public support for reforms during their meeting.

Czechoslovakia and Poland, whose mass privatisation programmes are the most advanced, have been models for Russia, Ukraine, Lithuania and Romania, which are putting in place their own variations on a voucher privatisation scheme.

Czechoslovakia's privatisation programme cuts across a wide spectrum with $9.9bn worth of equity in 1,491 enterprises to be distributed this summer. Over 8.5m citizens are participating in the scheme, using vouchers bought for a nominal sum. Two thirds have entrusted their vouchers to one of the 460 private investment fund set up earlier this year.

The political impact of distributing state-owned assets to the public was underlined in Czechoslovakia's elections earlier this month. Mr Vaclav Klaus, the former finance minister who masterminded the programme, saw his party win an absolute majority in the Czech parliament.

The Czechoslovak scheme came under criticism, however, because the vast and diffuse mass of shareholders have little potential to influence the management of enterprises. The Polish scheme, in contrast, aims to secure management control over enterprises by "leading funds" which will have block of shares in their hands.

In Poland, some 400 enterprises, accounting for 8-12 per cent of the country's industrial output, will be allocated to a limited number of investment funds, whose shares will then be distributed to citizens free of charge.

The Polish scheme, which relies on a narrow selection of enterprises distributed to funds managed by western advisors, aims to create a group of small shareholders interested in holding long-term stakes in profitable enterprises.

Officials from former Soviet republics emphasised the need to give management and employees, rather than investment funds, a stake in the future. The Russian programme, which remains in its early legislative form, aims to distribute shares on a preferential basis to employees and management.

The relative independence of managers from the government was highlighted as a crucial factor determining a programme's chances for success.

A survey on east European privatisation appears tomorrow.

NEWS IN BRIEF

UK protests to EC at French aid for Bull

MR Michael Heseltine, UK trade and industry secretary, clashed privately yesterday with Sir Leon Brittan. the EC competition commissioner, over the FFr7bn ($1.31bn) aid which the French government is planning to provide to Bull, the loss-making French computer maker, Alan Cane writes.

Sir Leon is expected to announce today that he has approved the cash injection, needed for restructuring costs and to help Bull rejuvenate its technology. Bull is state-owned, with France Telecom, IBM and NEC holding small stakes.

Mr Heseltine told Sir Leon that to allow state aid to some companies while others, including the UK's ICL, went through the costly restructuring process using their own resources, undermined EC competition policy. Sir Leon is understood to have been sympathetic but to have said there was nothing in the Community's rules to warrant a refusal.

Czechoslovak cabinet agreed

After three weeks of bitter negotiations, Mr Vaclav Klaus, the Czech prime minister-designate, and Mr Vladimir Meciar, his Slovak counterpart, have agreed on a new 10-member federal cabinet, Ariane Genillard writes from Bratislava. It will have only five key ministries and a limited mandate, until the fate of Czechoslovakia's fragile, 74-year-old federation is decided. It will be headed by Mr Jan Strasky, the former deputy premier of the Czech government and an ally of Mr Klaus in his Civic Democratic party.

Ukrainian threatens to quit

Ukraine's teething problems worsened yesterday when its top economic reformer threatened to resign and new difficulties surfaced in the division of the Black Sea fleet with rival Russia, Reuter reports from Kiev. Mr Vladimir Lanovoy said he planned to quit in protest at plans to appoint another man above him.

Moldovan premier chosen

Moldova chose a new prime minister to grapple with its ethnic and economic problems yesterday, amid renewed fighting between government forces and separatists, Reuter reports from Kishinev. Mr Andrei Sangeli, approved by 185 out of 244 deputies in parliament, pledged to take emergency measures to "stop the war against our country" and settle the dispute over the breakaway Dnestr Republic by negotiation.

Mitsotakis wins Greek applause on Macedonia

By Kerin Hope in Athens

IN the eyes of most Greeks, Mr Constantine Mitsotakis, the prime minister, pulled off a Herculean feat at the Lisbon EC summit.

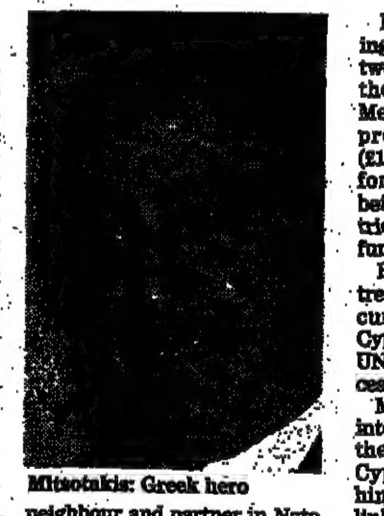
By finally winning Community support for the Greek view that the ex-Yugoslav republic of Macedonia must change its name before it can be recognised internationally, Mr Mitsotakis has silenced rebellious rumblings in his conservative party and left the opposition in disarray.

The Macedonian government, recognised so far only by Turkey and Bulgaria, has not yet made clear whether it will accept the decision, though Mr Denko Maleski, the foreign minister, has resigned in protest.

Greece now feels in a strong enough position to offer friendship to its northern neighbour, including financial assistance and a cross-border trade package that would be channelled through Salonica, capital of the Greek province of Macedonia.

But Mr Mitsotakis's next task is likely to prove more difficult. He wants to reverse almost 20 years of official antagonism and sign a treaty of friendship with Turkey.

"We can live with the Turks today. As far as the east is concerned, we can feel safe, nothing will happen," he said last week, referring to the Defence Ministry's conviction that Turkey, Greece's eastern neighbour and partner in Nato, is the main threat to Greek security.


Mitsotakis: Greek hero

Mr Mitsotakis has now made two trips to Turkey to exchange ideas with Prime Minister Suleyman Demirel on the proposed treaty. According to Greek officials, it would outline principles for resolving a group of long-standing bilateral disputes, from rival claims on undersea oil in the Aegean and delineation of airspace to treatment of the Greek and Turkish minorities in Istanbul and Thrace respectively.

He has also come under British pressure to adopt a more conciliatory attitude towards Turkey, as developing closer EC relations with Ankara has been spelled out as a priority of the British presidency.

Even before the Lisbon meeting, Greece agreed to drop a two-year-old veto imposed on the Community's redirected Mediterranean policy, which provides for Ecu2.05bn (£1.43bn) in loans and grants for co-operative projects between Mediterranean countries, because it would make funds available to Turkey.

But signing the friendship treaty will depend on whether current efforts to reunite Cyprus, being sponsored by the UN secretary general, are successful.

Mr Mitsotakis had originally intended to push ahead with the treaty regardless of the Cyprus issue. But he found himself obliged to make the linkage following angry reactions from both Greek Cypriot politicians and public opinion at home.

Although last month's round of high-level talks on Cyprus in New York produced few tangible signs of progress, it brought together the leaders of the Greek and Turkish Cypriot communities for the first time in over two years.

Now that President George Vassiliou, the Greek Cypriot leader, has managed to persuade most of his community that not all those driven from their homes in 1974, when Turkish forces occupied the northern third of the island, will be able to return, it is up to Mr Rauf Denktash, the Turkish Cypriot leader, to make the next move.

Sweden set to cut corporate tax to 25%

By Robert Taylor in London

FT SWEDEN'S non-socialist government is expected today to back a proposal to cut the country's corporate level of taxation from 30 to 25 per cent from January 1 1993, in a move designed to encourage foreign and domestic investors in Sweden and adapt the tax system to that of the European Community.

Speaking to a Financial Times conference in London yesterday Mr Urban Bäckström, under-secretary of state at Sweden's Ministry of Finance, also revealed that Sweden would have to cut its current value added tax level further. It is already to be reduced from 25 to 22 per cent for January 1 1993 and will have to fall to 19-20 per cent over the next few years to come into line with EC practice. "We simply cannot have a rate which greatly exceeds the rate prevailing in continental Europe," he said.

In his address to the conference Mr Per Westerberg, Sweden's industry minister, said the government's new competition laws, to be announced this autumn, would force public sector welfare authorities to compete in the market for the purchase of any services they are expected to provide, in what promises to be a comprehensive shake-up of Sweden's welfare state.

Mr Westerberg said the government, elected last October, intended to stick firmly to its current programme of deregulation and tax cutting despite the country's economic difficulties.

He also said the next Swedish state-owned company to be privatised would be announced next month. This follows the successful flotation of SSAB, Swedish Steel, in May. Mr Westerberg said the government intended to privatise only state-dominated commercial companies which were operating already in a competitive market, and no state monopolies would be sold. Instead, he said, the public utilities would be turned into corporate entities and their areas of operation deregulated and opened to competition, and then they would be privatised.

Mr Peter Wallenberg, Sweden's leading industrialist, told the conference that he "really wished more foreigners would find it worthwhile to acquire Swedish companies, this further enhancing the internationalisation of the country's economy and at the same time giving Swedish industry the opportunity to find solid partners abroad with whom it could develop itself further".

However, under questioning, he defended strongly Sweden's current system of A and B share ownership which enables companies such as those in the Wallenberg sphere to maintain control with a small equity stake but dominant voting rights.

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Saudi banker indicted in NY over BCCI case

By Alan Friedman in New York

SHEIKH KHALID Bin Mahfouz, chief operating officer of the National Commercial Bank of Saudi Arabia (NCB), the largest commercial bank in that country, was indicted in New York yesterday on charges that he and an associate had schemed to defraud depositors, regulators and auditors of the Bank of Credit and Commerce International (BCCI).

The US indictment, announced by Mr Robert Morgenthau, district attorney for Manhattan, alleges that Sheikh Khalid and Mr Haroon Kahlon, a London-based associate, fraudulently obtained more than \$300m from BCCI depositors and other customers.

Mr Morgenthau said the \$300m was obtained as part of a scheme that involved Sheikh Khalid acting with Mr Agha Hasan Abedi and Mr Swaleh Naqvi, former chairman and chief executive of BCCI respectively, who were themselves indicted on fraud charges last year. The scheme was enacted, the indictment says, in 1985-91 and involved more than \$1bn in transactions by Sheikh Khalid and NCB.

The indictment, which is a diplomatically sensitive matter because of the prominence of the Bin Mahfouz family in Saudi Arabia, states that NCB is controlled by that family. *The bank itself has not been charged.*

Last night Mr Lawrence Smith, an executive at the New York branch of NCB, who said he was a spokesman for Sheikh Khalid, released a statement in which the Saudi banker declared his innocence. He stated he was "astounded" by the "completely unwarranted" indictment.

The statement said Sheikh Khalid had suffered "huge losses" from BCCI and had co-operated fully with all investigators. He rejected, "in the strongest terms possible, any suggestion of involvement in any wrongdoing".

NCB announced in May that, after discussions with the Bank of England, it had decided to close its London branch "in an effort to rationalise operations and cut costs."

Mr Morgenthau said he had received co-operation from both the Bank of England and the British Serious Fraud Office in the Bin Mahfouz investigation.

The New York prosecutor said a decision had not been made on whether to freeze the Bin Mahfouz family's US assets. NCB controls a New York operation that last year had about \$500m of assets.

Mr Morgenthau said that BCCI, in 1986, needed fresh capital and that Sheikh Khalid invested in BCCI and became a BCCI director. The prosecutor said his investigation had discovered that Sheikh Khalid's investment in BCCI was later "secretly withdrawn, which resulted in a gross misstatement of the true financial picture" of BCCI.

The secret accord led to Sheikh Khalid's sale of his BCCI shares in 1988, along with the sale in 1989 of a separate shareholding in Credit and Commerce American Holdings (CCAH), the holding company that owned First American bank in the US. At least \$300m of the payments to Sheikh Khalid came from BCCI's own funds and were falsely recorded as BCCI loans.

But BCCI's auditors and regulators, including the Bank of England and New York state banking supervisors, were led to believe that Sheikh Khalid continued to be a major BCCI shareholder until April 1990, according to the indictment.

Mr Morgenthau said negotiations are under way in London for Mr Kahlon either to surrender in the US or face UK arrest and extradition proceedings.

Sheikh Khalid and Mr Kahlon face up to four years in prison and up to \$600m of fines in the US.

TOP COP: Willie Williams shows his confidence, and his badge, on taking over this week as the new police chief in Los Angeles

Purchasing index down

THE purchasing managers' index fell sharply last month, adding to worries that the fragile economic recovery is losing momentum, reports Michael Prowse in Washington.

The index dropped to 52.3 per cent, compared with 56.3 per cent in May. Wall Street analysts had expected a modest drop to about 55 per cent.

The index remains above 50 per cent and thus does not suggest the manufacturing sector is contracting, but it points to a significant loss of vigour and may heighten concern that jobs will not be created rapidly enough to reduce the unemployment rate, now at a six-year high of 7.5 per cent.

The drop in the index left financial markets keenly *awaiting employment figures*, due today, which will give the first comprehensive indication of economic trends in June. If the figures are bad, many analysts believe the Federal Reserve will be unable to resist calls for another cut in interest rates, although it might delay action to avoid seeming to bow to political pressure.

Brady looks to G7 for commonsense solutions

Michael Prowse on the US approach to Munich

MR Nicholas Brady, US treasury secretary, was in fine form as he briefed reporters on next week's Munich summit of the Group of Seven industrial nations.

Running through the main economic items on the agenda – support for Russian reforms, the flagging momentum of world growth and the stalled Uruguay Round trade talks – his manner was that of a plain-spoken businessman looking for commonsense solutions.

A top priority for the US, he said, was to agree measures to strengthen global growth. He implied this was central to all else the G7 leaders might want to achieve. Reform efforts in the former Soviet republics, for example, would be easier if they occurred against a backdrop of buoyant world growth.

He did not quite say "I told you so" but he was evidently gratified that the risk of a global slowdown was now widely recognised. "We're talking about a communiqué that's going to enthusiastically support the concept of a growing world," he said.

He indicated this would mark a sharp departure from previous summits and IMF meetings, when US demands for more stimulative policies had been poorly received, raising doubts about Mr Brady's *ability to read the mood in foreign capitals.*

He said the US would press for lower interest rates worldwide but that the summit was likely to focus on fiscal measures to support growth. Ignoring the US's decade of record budget deficits, he indulged in a headmasterly review of German and Japanese policies.

Plainly trying to put pressure on Japanese Prime Minister Kiichi Miyazawa ahead of the summit, he lavished praise on the Y7,000bn-Y8,000bn (£29bn-£33bn) fiscal stimulus proposed at the weekend by Japan's ruling Liberal Democratic Party. He said it could potentially have as big an impact as the historic stimulus announced in 1987, which signalled a shift from export-led to consumer-led growth.

As Mr Brady spoke, however, the LDP plan still had not been endorsed by Mr Miyazawa or the Japanese cabinet.

> 'We're talking about a communiqué that is going to back the concept of a growing world'

Turning to Germany, Mr Brady declined to say he was satisfied with Bonn's fiscal policy. But he welcomed recently-announced steps to curb the German budget deficit.

Without a hint of a smile, he suggested that President George Bush's 1990 budget agreement with Congress had shown the world how to achieve lower interest rates. Fiscal restraint in the US, he *said, had allowed the Federal* Reserve to cut short-term interest rates from over 8 per cent to 3.75 per cent. Other countries could achieve lower interest rates if they, too, put their fiscal houses in order.

On Russian reforms, Mr Brady casually admitted that summit leaders were likely to agree a rescheduling of the \$65bn external debt of former Soviet republics even though negotiations between Russia and the International Monetary Fund on a standby programme of economic reforms remain bogged down. This will set a precedent because debtors are invariably expected to agree a tough programme of reforms with the IMF before gaining the benefits of a rescheduling deal.

Mr Brady must have been aware his bland statement would increase pressure on IMF negotiators to accommodate Russia. The main hurdle, according to a senior Canadian official, is Russia's belief it deserves different treatment from small Third World borrowers obliged to accept numerous detailed conditions on loans. The Russian view seems to be that a broader commitment to economic reform should be sufficient in the case of a major world power such as Russia.

The Uruguay Round trade negotiations were "enormously complicated" but absolutely vital, Mr Brady said. In 35 years on Wall Street, he had found that the complexity of negotiations increase geometrically according to the number of participants. However, waving a dossier of papers detailing the importance of exports *for US growth and jobs,* he suggested the US was ready to step up efforts to achieve progress in the talks. If he could wave a magic wand over any one issue at the summit, it would be trade. Achieving freer trade would be among the most important goals for the international community in the post-Cold War era.

Miyazawa visit relegates trade

By Nancy Dunne in Washington

FOREIGN policy and economic co-operation are dominating the agenda this week, during the first official visit to Washington of Mr Kiichi Miyazawa, Japanese prime minister, with the hope that the President George Bush's disastrous trade mission to Japan last January will fade from painful memory.

"We view this visit as having a primary purpose of co-ordinating our two sides' position going into the Group of Seven meeting [next week in Munich]," an administration official said. The two were also to discuss bilateral co-operation on Russia, Korea and Cambodia, with Mr Bush giving full support to Japanese claims for the return from Russian control of its northern islands, before the US would commit itself to extensive aid to Moscow.

Trade is being relegated to "review status". For once, the US is on the defensive. Its officials are talking about "reinvigorating" the Structural Impediments Initiative, which was to address the fundamental problems in the US and Japanese economic systems as regards bilateral relations. US officials are pointing to Congress as having impeded administration initiatives over SII.

US trade complaints will be touched on during the Japanese visit, particularly the unsatisfactory semiconductor agreement which has failed to turn over 20 per cent of Japan's market to foreign sales. Access for US vehicles, vehicle parts and glass are on the trade agenda, but the administration this week was stressing that solutions to the trade imbalance must be long-term.

Lowering the oil flag

The Venezuelan search is on for foreign partners in the production of crude, writes Joe Mann

VENEZUELA'S decision to allow private companies to produce oil from a series of inactive fields is not only an important break with the past but also the first concrete example of private capital investment in the oil production sector since the country's petroleum industry was nationalised in 1976.

Mr Alirio Parra, energy and mines minister, announced on June 19 that Royal Dutch/Shell and smaller companies from Japan, the US and Venezuela would invest \$720m (£390m) over the next 10 years to produce crude from five groups of inactive fields.

The private companies are assuming the entire financial risk – no oil, no return. How much they earn will depend solely on the volume of oil produced because even though they are spending money on production infrastructure, they will not own the crude. All output will be turned over to subsidiaries of Venezuela's national oil company, PDVSA.

Shell's return to Venezuela as an investor in the oil sector is not without irony. When all private oil companies were nationalised 16 years ago, Shell's operation was second only to Exxon's. Both companies had to wait more than a decade for their claims to be settled with the government.

It was President Carlos Andrés Pérez, waving the banner of nationalism, who ordered the state takeover of foreign oil companies during his previous term in office. Now, he is supporting PDVSA efforts to open petroleum sectors such as exploration, production and refining to foreign capital.

However, while Venezuela is only encouraging foreign capital in its oil industry, the state company has invested well over \$1bn since 1983 to purchase full or part-ownership in oil refining and distribution systems in Europe and the US.

The agreements covering the inactive fields, due for signature this month, are what PDVSA executives hope will be the first in a series of new investments by international oil companies. Private concerns have invested for many years in Venezuelan petrochemicals; large sums are flowing into the sector. But petroleum and natural gas have been out of bounds until now.

In late 1990, PDVSA announced a large natural gas liquefaction project in eastern Venezuela, in partnership with Exxon, Mitsubishi and Shell. Studies of the \$3bn-\$4bn project are continuing, but no large investments have yet been made, and its fate hangs on natural gas prices worldwide. Venezuelans are keen to sell their liquefied natural gas in the US.

Since Mr Pérez took office for the second time in early 1989, PDVSA has also been encouraging other joint ventures with international oil companies in a variety of areas, including exploration, production and refining.

The state company has the world's largest proven reserves of heavy and extra-heavy petroleum, and is stressing what it calls "strategic associations" with international companies to produce and refine heavy oil.

Despite Venezuela's strong interest in heavy oil, foreign companies consider it uneco*nomical while there are abun*dant light and medium-grade crudes available from the Middle East. PDVSA is in the midst of a multi-billion dollar capital investment programme which must be funded not only by internal cash flow, but also by export credits, loans and equity from abroad.

Mr Pérez and many other former proponents of a fully-national industry have understood the need for foreign capital and loans if PDVSA is to grow and remain competitive.

The company today remains well managed and profitable. The political instability resulting from an unsuccessful military uprising last February has not affected operations so far.

However, its capital investment needs are being squeezed by lower than expected oil prices and a high tax bite (82 per cent of operating profits) by a government addicted to petroleum revenues.

Last year, taxes on PDVSA provided the central government with more than 70 per cent of total revenues.

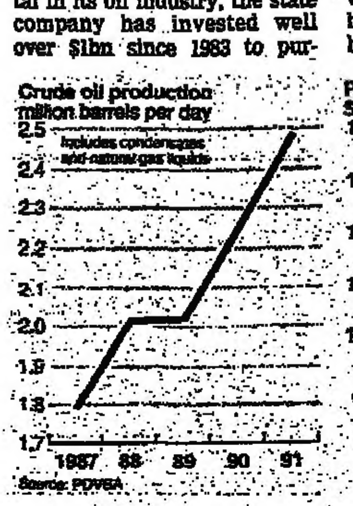
To cope with its capital shortage, PDVSA has reduced investment this year and delayed or prolonged some large projects. The company also is seeking funds on international capital markets.

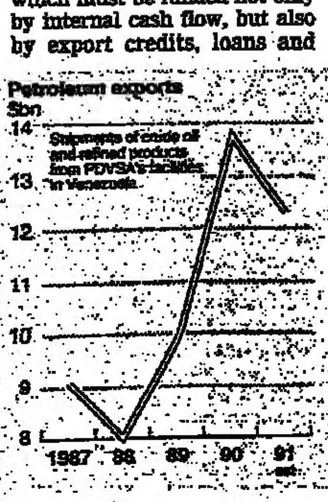
A subsidiary, Corpoven, recently gave a mandate to CS First Boston to raise \$300m to finance the expansion of a natural gas plant. This year, two US banks tried to raise money for PDVSA, but company officials said they decided the placements would be too costly and the efforts were dropped.

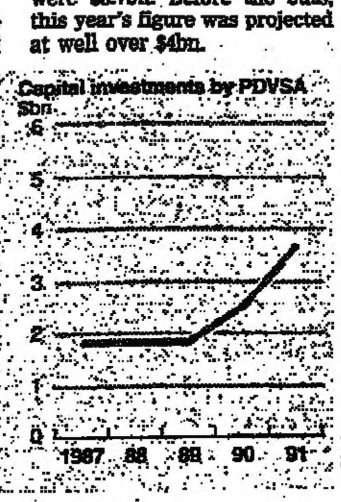
News reports of popular protests, demands for the resignation of Mr Pérez and other symptoms of political instability have affected investors' perceptions.

PDVSA has external debts of \$2.16bn and loans from Ven*ezuelan banks totalling around* \$923m. The company will need borrowed money to finance most of its investment programme this year and next.

Capital outlays last year were \$3.7bn. Before the cuts, this year's figure was projected at well over \$4bn.







ANC pulls back from sports boycott

By Michael Holman in Johannesburg

SOUTH AFRICA'S participation in the Barcelona Olympics and other pre-arranged international sporting events can go ahead as planned, the African National Congress (ANC) said yesterday.

"The decision will remain under view," said the ANC press statement, which warned that unless the country's political crisis is resolved, it "will consider a halt to all tours".

This cautionary note did not disguise the fact that the ANC, for the time being at least, has declined to use sport as a weapon. The news delighted white South Africa, possibly the mosts sports-conscious community in the world, although black South Africans are likely to have mixed feelings about the ANC's decision.

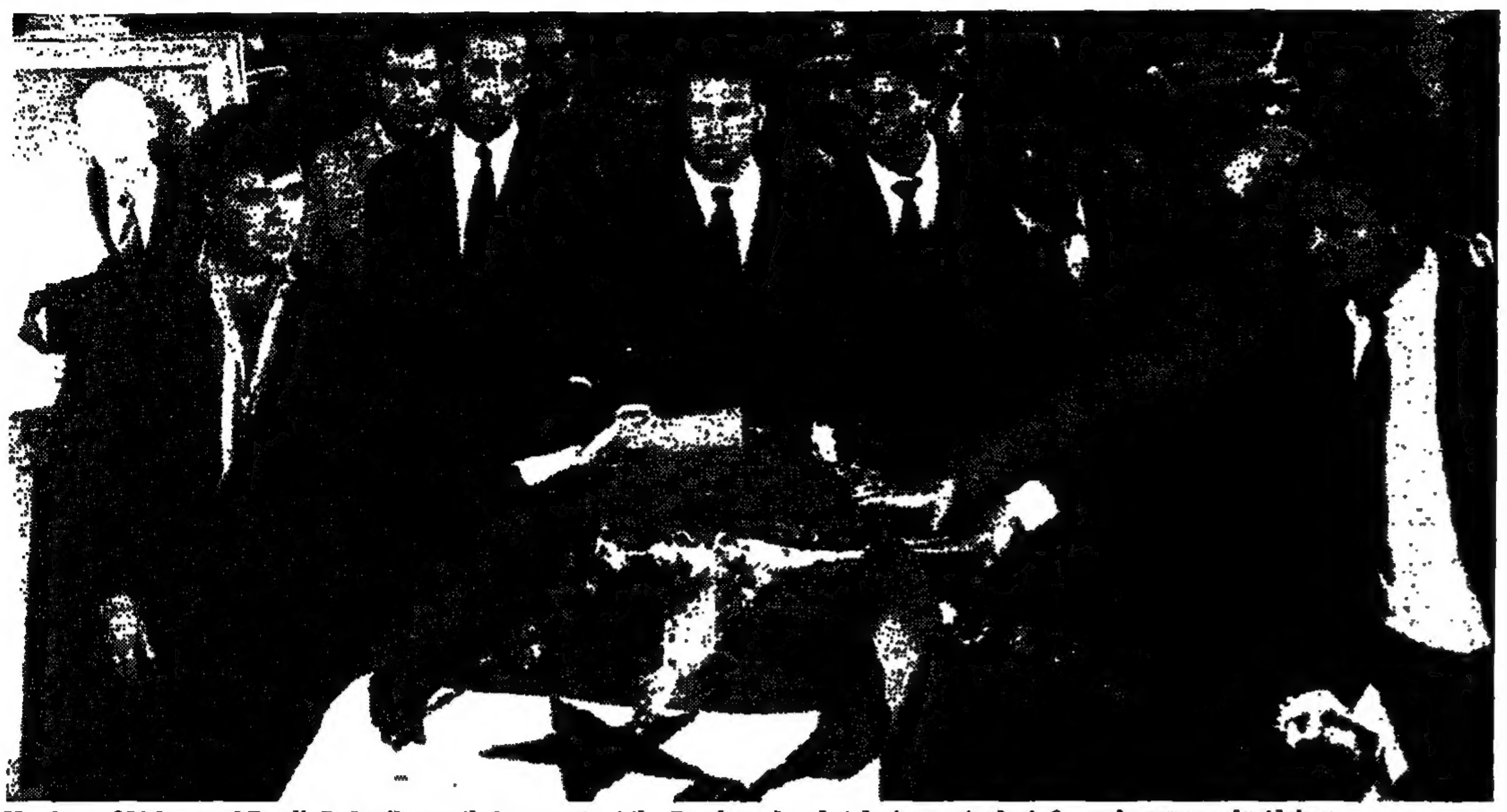
The re-introduction of the ban on sporting contact may have seemed a straightforward way of punishing the government for the stalemate in constitutional talks, but there are several complications.

Football, for example, is a predominantly black game here. Supporters were eagerly awaiting next week's scheduled visit of the Cameroon national side, and Crystal Palace, the English first division side. Most supporters wanted the visits to go ahead.

Also at risk were the visits of the New Zealand and Australian rugby teams, and a cricket tour by India.

A sports boycott cannot be turned on and off like a tap. Should the ANC wish to re-impose South Africa's sporting isolation, it would have faced a protracted round of lobbying and persuasion. Advocates of contact also pointed out that by the time this process was over, the constitutional stalemate might have been broken.

In return for yesterday's go-ahead, the country's sports bodies agreed to express "public support for peace and democracy, including a democratically elected constituent assembly". They will also stage unspecified "activities" during international fixtures "which will promote peace and democracy".



Members of Mohammed Boudiaf's family pay their respects at the flag-draped casket during yesterday's funeral ceremony in Algiers

THOUSANDS TURN OUT FOR FUNERAL OF MURDERED ALGERIAN PRESIDENT

TENS of thousands of Algerians took to the streets yesterday to mourn their murdered head of state, Mr Mohammed Boudiaf, write William Dawkins and Francis Ghilès in Algiers.

A grief-stricken crowd gathered outside the presidential palace as mourners filed past Mr Boudiaf's coffin in the hours before his funeral at Algiers' main mosque. Women ululated as a green army truck bearing Mr Boudiaf's coffin left the gates to move slowly towards the Djema Khebir mosque.

Some demonstrators blamed the recently banned fundamentalist Islamic Salvation Front (FIS) for Mr Boudiaf's assassination on Monday.

Others in the crowd chanted: "Chadli assassin", accusing former President Chadli Bendjedid, forced out of office in January. This echoed Algerian press reports that the killing might have been organised by senior politicians with much to fear from Mr Boudiaf's crusade against corruption. "He died because he wanted to break with the old business, because he wanted radical change and because he fought corruption," said a weeping steel union official.

"Boudiaf was clean, Hardly anybody else left in government is like that," added Mr Said Chitour, a tourist guide. Mr Boudiaf, who succeeded Mr Bendjedid, elicited widespread respect among the crowd yesterday not just for his anti-corruption campaign but also for his attempts to launch economic reforms and curb Islamic extremism. The poor central area of the Casbah was almost deserted and shops pulled down their steel shutters in respect.

Yesterday's dignified calm will have come as a relief to Algeria's military-backed government. It is coming under growing pressure to choose a new leader to end the potentially dangerous power vacuum.

Four hours after the funeral, the official news agency APS said the killer, whom it did not name, was a sub-lieutenant in the country's counter-espionage unit. He was on security duty to protect Mr Boudiaf, APS said. It gave no indication whether was a Moslem fundamentalist or had other motives.

Rabin sets out to woo the hard right

By Hugh Carnegy in Jerusalem

MR Yitzhak Rabin, prime minister-elect, yesterday hopped smartly onto Israel's political fence as he tried to draw both left-wing and hard-right groups into coalition with his Labour party following its election success a week ago.

Mr Rabin, awaiting today's official call from President Chaim Herzog to form a government, is embroiled in coalition manoeuvres only slightly less byzantine than usual in Israel, despite his clear election victory over the Likud party of Mr Yitzhak Shamir.

Yesterday he infuriated Meretz, a pro-peace party regarded as Labour's main coalition partner, by drawing up draft administration guidelines containing only bland commitments to Middle East peace talks and omitting reference to a freeze on Jewish settlements in the occupied territories.

Labour deliberately fudged the guidelines, which serve as a manifesto for the government, in an effort to entice Tzomet, a party of the extreme right, into the coalition. Until recently Tzomet was in coalition with the hardline Likud.

This apparently perverse move is explained by two factors. First, Mr Rabin is anxious to consolidate his fragile parliamentary majority, minimise the influence of religious parties and defuse right-wing protests against his policy on the peace process. Secondly, Tzomet is desperate not to be left in opposition after quadrupling its number of MPs from two to eight in the election.

Neither Labour nor Tzomet is pretending that they do not have deep differences – notably Tzomet's rejection of any territorial compromise or freeze on settlements. Tzomet is even further removed from Meretz and yesterday met the three religious parties to discuss ways of keeping it out of the government.

Labour insists Mr Rabin's commitment to the peace process and a curb on settlements will not be compromised.

NEWS IN BRIEF

Recovery hopes hit in Australia

AUSTRALIA'S slow recovery from recession is showing signs of stalling, putting increased pressure on the government to cut interest rates again, writes Emilia Tagaza in Canberra.

Three sets of indicators published yesterday indicate that growth will fall short of the government's annual target of around 4 per cent between 1992 and 1995.

Building approvals fell in May by 4.5 per cent, seasonally adjusted, on the previous month's figures. The fall followed moderate rises in March and April. New car registrations also fell nearly 4 per cent in May. This was the second successive monthly decline, despite the reduced sales tax on cars introduced by the government last February.

The May current account deficit rose 20 per cent on the previous month's shortfall to A$1.1bn (£440m), seasonally adjusted. This was the highest monthly deficit since November last year. The increase was due mainly to a 5 per cent fall in exports. The current account figure also indicated stagnant business activity.

Japanese car sales increase

New car sales in Japan posted the first year-on-year increase in 14 months during June, according to the Japan Automobile Dealers Association, writes Steven Butler in Tokyo. The increase was small, just 0.5 per cent, but was none the less the first hopeful sign the industry has seen in many months. Passenger car sales were down by 0.2 per cent to 343,065 units, with sub-compact cars off by 4 per cent.

Congo PM loses support

Congo's interim prime minister, Mr André Milongo, was the big loser in the country's first multi-party elections for 30 years, Reuter reports from Brazzaville. Official results published early yesterday showed that no candidate from 30 parties supporting Mr Milongo was elected in the first round of voting on June 24.

Sudan resumes oil output

Sudan has begun commercial oil production in the country's war-torn south just weeks after it purchased concessions from a US oil company, AP writes from Khartoum. Mr Osman Abdel-Wahab, the energy minister, said on yesterday that the Abu-Jabra field would produce 2,000 barrels a day. The oil will be refined at the nearby Abu-Jabra refinery in southwest Sudan, he said. Sudan recently purchased Chevron's oil concessions in the south.

Israelis attack into Lebanon

Israeli helicopters blasted a guerrilla base in a Palestinian refugee camp in south Lebanon yesterday wounding two people, Reuter reports from Tyre. Two helicopter gunships fired three rockets into an office of the Marxist Popular Front for the Liberation of Palestine inside the Rashidiyeh camp near the port of Tyre, 48 miles south of Beirut, security sources said.

Tajik leader visits Islamabad

Mr Rakhmon Nabiyev, Tajikistan's president, held his first round of talks with Pakistan's prime minister, Mr Nawaz Sharif, yesterday, Farhan Bokhari reports from Islamabad.

Fighting flares in Kabul

Fighting broke out between rival factions in the Afghan capital Kabul yesterday, shattering six days of relative calm, Reuter reports from Kabul.

Telecom pact to cut rates for overseas calls

By Hugo Dixon

TELEPHONE companies will come under pressure to cut their international charges following a milestone agreement by the world's telecommunications industry in Geneva.

The International Telegraph and Telephone Consultative Committee (CCITT), a United Nations-affiliated body which groups telecommunications ministries and companies from around the world, has agreed to reform the complex accounting rate system which has been blamed for keeping international call charges well above costs.

The decision was taken unanimously at a meeting of the CCITT, attended by delegations from 46 nations, in Geneva last week and details have only just emerged.

The main element of the deal is a recommendation to cut accounting rates – a type of wholesale price which telephone companies charge each other for delivering international calls – to costs over a period of one to five years.

The price consumers pay to make international calls is made up of two elements: the accounting rate, which the local telephone company pays to its counterpart in the recipient country to "deliver" the call, and a premium to cover the local company's costs and profit margin.

These accounting rates are thought to be typically two to three times the actual cost of delivering calls and underpin the high prices which consumers pay.

The agreement to cut accounting rates – which is the culmination of more than a year of negotiations – will not feed through automatically into lower consumer prices. But pressure from national regulatory authorities and growing competition in the industry is expected to force cuts eventually. The CCITT, which had previously denied there was a link between accounting rates and consumer prices, said it believed its recommendation would "in time, positively affect user charges".

Mr John Berndt, who runs the international communications business of AT&T, the largest US telecommunications group, said the agreement would "translate into real benefits for customers around the world". BT, the largest UK group, said it was a "useful step", but refused to commit itself to cut prices.

Environment hit by too free trade

The Mexican city of Ciudad Juarez provides a stark warning, writes Damian Fraser

ISSUES concerning the environment, formally not part of the North American Free Trade Agreement (Nafta), have now become part of the debate.

Ciudad Juarez, the Mexican city bordering west Texas, is a striking testament to unrestrained free trade. In 20 years, more than 300 foreign companies have opened plants there, to take advantage of low wages, and duty-free exports to the US.

The city, home to more than 1.2m people, three times that in 1970, is now a big producer of car wiring systems.

But the growth has had calamitous side-effects, both for Ciudad Juarez, and its sister Texan city of El Paso. Some 400,000 Juarez people live in neighbourhoods without sufficient housing, running water, sewerage facilities, pavements or electricity.

An open canal carrying Juarez's daily 55m gallons of raw sewage runs alongside the Rio Grande for 17 miles, contaminating shallow-water wells on both sides of the border and occasionally the river itself.

El Paso has suffered from its neighbour's explosive and unregulated growth. It is the fifth poorest city in the US, with rates of hepatitis, dysentery and tuberculosis five, four and two times the US average respectively. Cholera has been recently found in Juarez's water system, and could soon find its way to El Paso, warns Dr Lawrance Nickey, of the El Paso City-County Health District.

Environmentalists, and unions keen to oppose free trade on all grounds possible, fear that Nafta will exacerbate problems along the border, and do for the rest of Mexico what has been done for Ciudad Juarez.

They are demanding that the text of the agreement incorporates environmental safeguards and that billions of dollars be spent on cleaning up the frontier. "Unless the government marries free trade and the environment, we will be totally burnt. We cannot cope with more growth," says Dr. Nickey.

Their concerns are shared by many US congressmen. Mr Bill Richardson, Democratic congressman from New Mexico and a leading supporter of free trade, says: "What will decide the free trade agreement will not be the commercial side – the array of trilateral trade agreements currently being negotiated – but the environmental issue."

The irony is that the free trade agreement could be decided by an issue that it purports not to tackle. The agreement will incorporate some "green language" and may give US companies the right to seek redress against Mexican businesses that obtain a competitive advantage by being able to pollute freely. But the US and Mexican administrations have for the most part insisted that Nafta stick to trade issues and that the environment be addressed in parallel agreements.

Unions and the green lobby are demanding that the text of the Nafta pact incorporate safeguards and that billions of dollars be spent on cleaning up the US-Mexico border

The governments have partly done this through an integrated environmental border plan, launched with some fanfare in February. The plan commits the US and Mexico to spend about $1bn (£500m) in three years to provide water treatment plants, better roads and solid waste sites along the border, and promotes co-operation by enforcing existing regulations.

If successful, the plan would mark a considerable change. Mexico's Ecology Ministry turned a blind eye to the 2,000, mainly US, bonded factories (*maquiladoras*) along the border that dumped waste into rivers or nearby desert. The National Toxics Campaign Fund found toxic discharges at three-quarters of the *maquiladoras* it visited last year. These and other wastes have helped turn the border into "a virtual cesspool and breeding ground for infectious diseases", according to the American Medical Association.

The Mexican authorities have already started to crack down on polluters and recently closed hundreds of *maquiladoras* for failing to comply with regulations. Mr Sergio Reyes Lujan, under-secretary of ecology in Mexico, dismisses fears that Mexico will become a haven for US polluting companies under Nafta and says "there should be no doubt that any factory rejected by the US will not be accepted in Mexico. Low Mexican salaries are sufficient to attract US industries".

Along with tighter enforcement of existing rules, US and Mexican officials argue that Nafta will help the environment in at least two more ways: it should make Mexico richer and thus more environmentally conscious, and remove the incentive for foreign firms to operate along the already saturated border – where in practice free trade pertains – and encourage them to move to the less crowded interior.

Environmentalists, such as Mr Dick Kamp at the Border Ecology Project in Arizona, counter that if Nafta as proposed by the administrations of Mexico, the US and Canada is rejected due to environmental objections, the agreement would soon be resubmitted but with much tighter environmental safeguards written in.

A collection of environmental groups have drafted their own "green language" treaty, which would establish a commission on trade and the environment to ensure trilateral harmonisation and enforcement of environmental laws, and subject penalties on companies that failed to comply.

Many groups fear that without such provisions Mexico's promise to tighten enforcement would soon be relaxed. Mexico does not have an independent judiciary or congress and, as the pressure group Fair Trade Campaign argues, there is no effective way to force environmental compliance through the courts.

The Mexican government, fearful that the US would use environmental concerns as another mechanism to protect US businesses from Mexican goods, has opposed strong "green language", but, by doing so, may undercut support for the agreement in the US congress.

Sales of French luxury goods fall

THE US recession caused serious problems last year for France's luxury goods groups. The downturn in the US market was the chief cause for a 1.5 per cent fall in exports, writes Alice Rawsthorn in Paris.

The latest figures from the Comité Colbert, which represents 70 of France's largest luxury goods companies, including Bollinger champagne, the Hôtel du Crillon and Chanel perfume, show that their combined turnover fell by 1 per cent to FFr29.36bn (£3bn) in 1991. This decline in sales follows a decade of uninterrupted growth. The US recession, combined with the weakness of the dollar, created difficulties last year.

The Comité Colbert members saw their US sales fall by $89m (£48m) in 1991. This was offset by an increase in sales to Japan, which now represents 12.2 per cent of their turnover, and to the rest of Europe.

As a result, the overall fall in exports was limited to $62m, or 1.6 per cent. Sales in France itself, still the Comité Colbert's biggest single source of business, rose by 0.8 per cent to FFr8.7bn. In real terms this represented a fall of 2.6 per cent in the French market.

Korea and Japan in deal to lower deficit

By John Burton in Seoul

SOUTH Korea and Japan yesterday announced an agreement to help reduce Seoul's trade deficit with Tokyo, but the measures fall far short of what Korean officials had been expecting.

South Korea's trade deficit with Japan last year amounted to $8.8bn (£4.7bn), which accounted for 90 per cent of the country's total trade deficit. South Korea relies heavily on Japan for machinery and industrial components. The trade deficit would be even bigger if it was not for import restrictions that South Korea places on Japanese products.

Mr Roh Tae Woo, the South Korean president, and Mr Kiichi Miyazawa, the Japanese prime minister, agreed in January to try to find a solution to the problem, with a deadline set for June 30. Tokyo was under pressure to make concessions at that time due to new revelations about Japanese war crimes against Koreans. Seoul's main demand has been the establishment of a $200m industrial foundation, financed mostly by Japan.

But Tokyo only agreed that each country should provide $8.3m.

Japanese liquor tax inquiry

By Robert Thomson in Tokyo

JAPAN's National Tax Agency, concerned at a fall in liquor tax revenue, has asked the Fair Trade Commission (FTC) to investigate "unfair pricing" by beer and spirit discount houses, whose networks have expanded rapidly over the past two years.

The tax agency's request is linked to an increase in low-priced imports outside the sole agent system, and echoes complaints by domestic producers and foreign importers, whose profits have suffered because of the heavy discounting.

Tax officials said the increasing flow of parallel imports and an increase in domestic beer discounting had "disrupted" the market and hurt liquor tax revenues, which were more than 5 per cent lower than expected last fiscal year.

But Japanese consumers have welcomed the discounting, as the prices of well-known foreign spirits have plunged by as much as 50 per cent at shops with access to parallel imports.

Meanwhile, domestic beer can be bought for 20 to 30 per cent below recommended prices at a fast-expanding network of discount houses, which have challenged the complex distribution systems supported by Japanese brewers. "As consumers, we are happy with the discounts," a tax agency official said, "but, as government representatives, we have to be aware of the impact that it is having on our society.

"The important thing is to maintain fair competition."

The FTC will face the difficult task of determining whether the discounters are guilty of predatory pricing or whether they are merely participants in a newly-competitive market.

The agency, which takes Y132 (56p) on a Y320 bottle of beer, indicated yesterday that it would prefer a return to the stability ensured by the old domestic beer cartel and the sole agent system for imports.

Shell's £1bn Indian venture to go ahead

By David Housego in New Delhi

SHELL, the Anglo-Dutch oil group, and Arvind Mafatlal, the Indian chemicals and textile group, have decided to go ahead with a Rs60bn (£1bn) petrochemical project that potentially marks the largest foreign investment in India.

The decision to embark on the design and engineering phase of a more than threefold expansion of their National Organic Chemical Industries Limited (Nocil) ethylene plant in west India comes after a detailed reappraisal of the venture. This followed an almost doubling of costs on a project first proposed six years ago as a result of inflation and the devaluation of the rupee.

The government's liberalisation policies had also added to uncertainties on future cash flow because of the prospective drop in India's protective tariffs.

Nocil said yesterday that the third reappraisal of the project had shown it to be "sufficiently robust" for the partners to proceed to an 18-month design and engineering phase.

Construction would begin after that – though Nocil might earlier place advance equipment orders.

Air traffic growth less than forecast

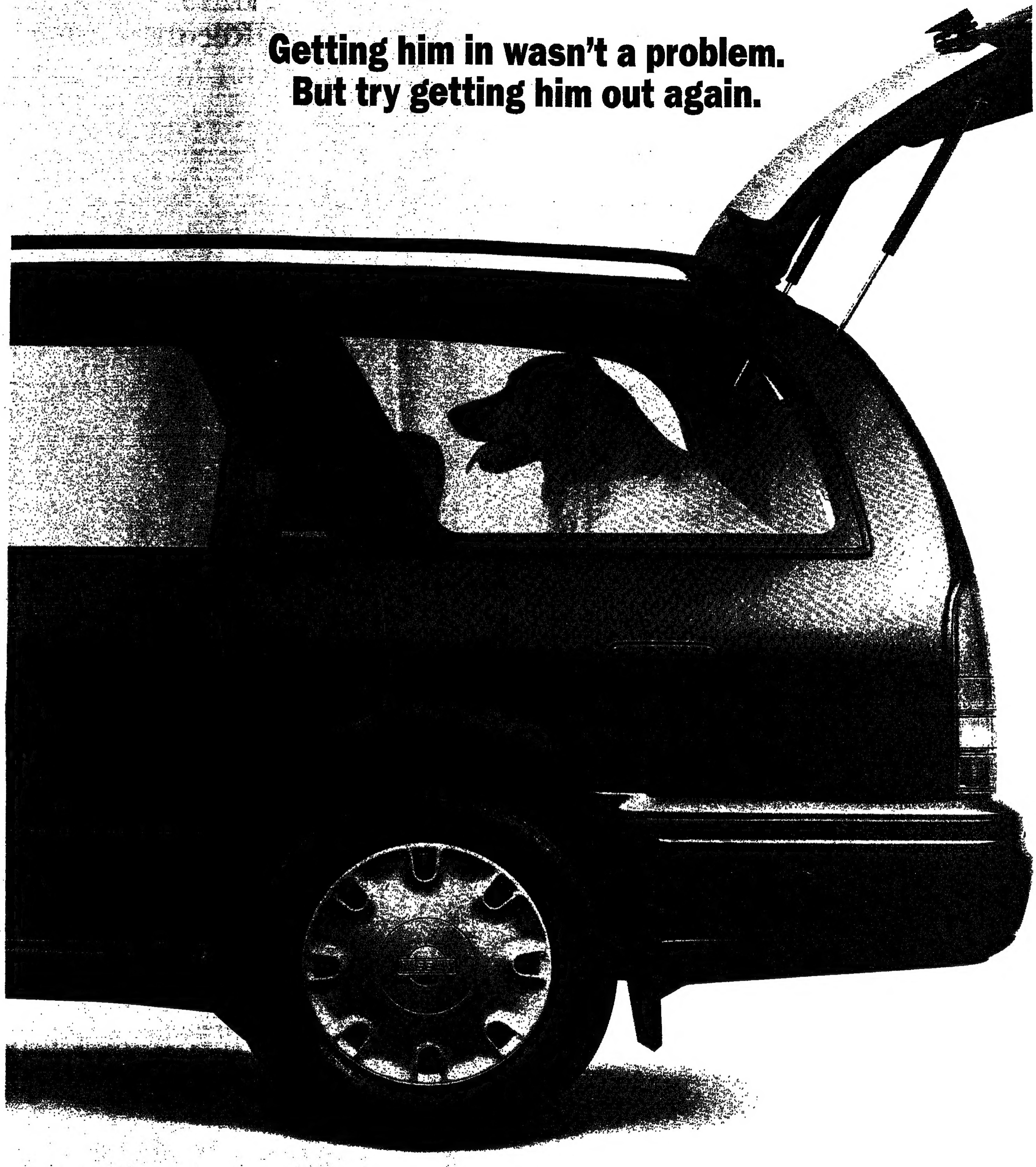
AIR TRAFFIC growth in May was less than expected, the International Air Transport Association said yesterday, writes Daniel Green. Passenger traffic on international scheduled services of Iata's 207 airlines rose 17 per cent in May, compared with May 1991, when traffic was depressed by the Gulf war. The improvement on 1990 was only 10 per cent.

Correction

Jolly Green Giant

Grand Met's Jolly Green Giant reduced employment by more than 1,200 to 115 workers in the period from 1983 to the present: not from 12,000 as reported in the Financial Times of June 26.

Getting him in wasn't a problem. But try getting him out again.



You've tried everything. Sticks. Bones. Balls. Sausages. You even kidnapped the neighbour's cat. But the dog refuses to come out.

It started when you brought your Primera home. He ran up to its beautiful shape the minute you drove up. Then you opened the wide tailgate. Immediately he jumped in and made himself completely at home. He sniffed at the stain resistant carpet of the huge luggage compartment.

After you folded down one of the separate rear seats, he visited the passenger area. While you slipped into the complete and ergonomically designed cockpit.

You started the two-litre 16-valve engine and watched your dog's tail start wagging. He snuggled into every seat. You hadn't seen him this relaxed in years.

In the end he settled in the back where, thanks to the unique rear suspension, the floor is completely flat.

It's been all afternoon. And you still haven't gotten him out. Maybe it's time to try the postman.

Model shown Station Wagon. Specifications may vary in every country.
The Nissan Primera is available in 4-door Sedan, 5-door Hatchback and Station Wagon models.

NISSAN

**Primera Wagon.
The best friend of the family.**

Germany will continue development spending on EFA

By Quentin Peel in Bonn

DEVELOPMENT spending on the European fighter aircraft (EFA) in Germany will continue regardless of the decision not to go ahead with production preparations next year, Mr Theo Waigel, finance minister, has confirmed.

He presented a draft budget for 1993 yesterday which contains DM830m (£284m) for further development of the aircraft, although it specifically excludes DM110m (£38m) supposed to be set aside for tooling up for production.

The apparent financial contradiction underlines the real difficulty for Germany if it is to pull out of the production programme but maintain its commitment to six more years of development spending.

The government is contractually committed in the EFA development programme with Britain, Italy and Spain to spend up to DM3bn further until 1999, of which the DM830m is the next tranche. Any decision to quit that programme would almost certainly invite compensation claims from the partner countries, and from Deutsche Aerospace, the principal German contractor.

On the other hand, calling a halt to the production programme will only save far smaller amounts of money in the near future, with the heavy spending required to take delivery of completed aircraft concentrated at the end of the decade and after the year 2000. Germany was planning to take delivery of only 14 fighters before 2000, out of a probable reduced total of 140.

The question now is whether Mr Volker Rühe, the defence minister, can persuade his British, Italian and Spanish counterparts to go along with the idea of a cheaper, lighter aircraft, and thus use the future development cash for that purpose; or whether he will seek to pull out of the development programme as well, in spite of the risk of having to make substantial compensation payments, in order to make more significant savings in the near future.

Officials pointed out yesterday that in the current period of acute budget stringency in Germany, pulling out of the development programme would show immediate savings, whereas compensation payments would probably be made only after lengthy negotiations.

After the decision of the parliamentary parties on Tuesday not to start the EFA production programme, Mr Rühe said he would seek to reallocate "uncommitted development funds" to the effort to design a new slim-line aircraft. His ministry was unable to explain yesterday what he meant by "uncommitted funds".

The political compromise reached by the joint parliamentary group of the Christian Democratic Union (CDU) and Christian Social Union (CSU) was criticised yesterday by the Free Democrat Party (FDP), third partner in the coalition, for being deliberately unclear. In particular, it failed to include any specific statement that the Jäger-90, as the EFA is known in Germany, will not be built.

Indeed, the CDU/CSU statement says at one point that the price of the existing aircraft "must be reduced", and at another that a new aircraft must be designed. The vagueness was a deliberate effort to reconcile the opposing viewpoints in the group. It remains in the essential decision not to go ahead with the production of the aircraft as currently designed, but to try to design a cheaper aircraft on the same development basis.

In spite of the compromise, the decision was interpreted almost unanimously by the German media as the death of the Jäger-90. It was also widely interpreted as a triumph for Mr Rühe.

"The Jäger-90 is dead.... Rühe's policy is not only popular, but also quite correct," said Bild Zeitung, the mass circulation daily newspaper. The concept of the aircraft dated back to 1972, and "since then much has changed", it said. "Young Rühe is looking to the future, and has proved his determination. Cheers!"

Only in Munich, headquarters of the German defence and aerospace industry, was the opposite view apparent. "The coalition thinks it has found the magic solution, the 'Eurofighter-2000', a sort of cheap version bashed together from the parts of the Jäger-90," the Munich Merkur declared. "It sounds impressive. If the development partners are prepared to play, it will save European co-operation, it will mean that countless hours of development work will not be for the birds, and tens of thousands of jobs will be saved." In reality, the newspaper said, it must be doubted that any alternative solution would be any cheaper, and the only thing Mr Rühe would have won would be a little more time.

Optimism belies serious concern

Partners assess feasibility of three-way split

By Paul Betts, Aerospace Correspondent

BRITAIN, with a 33 per cent stake in EFA, remained confident yesterday that the programme would go ahead even if Germany pulled out.

British Aerospace (BAe) and General Electric Company (GEC), which is involved in the development of the radar and electronic warfare system for the aircraft, both said the project could continue as a three- rather than a four-nation programme.

BAe also claimed that the aircraft could still be produced by the three partners (Britain, Italy and Spain) at a similar unit cost to that applying to four partners.

Although initial British calculations suggested that German withdrawal might lift EFA's price to the UK by 7 per cent – and by 12 per cent if Spain also decided to pull out – officials yesterday argued that additional costs could be reduced by reorganising the production plan and other measures.

"Already major savings have been identified," Mr Malcolm Rifkind, the UK defence secretary, said yesterday.

Costs could be saved by rationalising production and test sites. A German withdrawal could also save costs because German wages are higher than those in the three other partner countries.

One proposal is the establishment of a single production line, probably at BAe's Warton plant in Lancashire.

However, this is likely to involve difficult negotiations between the partners anxious to safeguard their work-sharing interests in the project.

Mr Rifkind also said yesterday he had been in contact with the Italian and Spanish governments, which had indicated "the importance they attach to this project and their desire to see it go forward".

However, this initial optimistic assessment does not disguise the considerable uncertainty the German decision has created and the risk that it could provoke severe repercussions to the programme and its future viability.

Even if the other partners stay in the programme, they will have to renegotiate the partnership in the event of German withdrawal.

This process could be complex and take at least 18 months, thus delaying EFA's overall development timetable.

If the project collapsed, BAe estimates that around 40,000 jobs would be at risk in the UK aerospace industry alone. Many thousands more jobs would be indirectly affected in the UK.

The EFA programme needs a production run of about 400 aircraft to be viable.

When the four nations signed the original memorandum of understanding in 1988, they planned to buy a total of 785 aircraft: 250 each for Britain and Germany, 165 for Italy and 100 for Spain.

Italy is now considering buying only 130 aircraft and Spain 87, while the UK could reduce its original requirement to around 200 fighters. This would still just make the necessary 400 aircraft break-even mark.

However, these figures could be revised again before the governments have to commit orders for the aircraft next year.

This is likely to entail additional adjustments to workshare arrangements as partner countries change the level of their proposed orders for the new fighter.

German withdrawal would also have repercussions for broad industrial collaboration in Europe.

"Withdrawal would be a backward step both substantively and symbolically," Mr Rifkind said yesterday. "You cannot on the one hand make great rhetorical flourishes in favour of European co-operation if you are simultaneously withdrawing unilaterally from the most important example of European defence collaboration."

Mr Rifkind will ask Mr Volker Rühe, the German defence minister, to clarify his country's position on EFA when he visits London on Monday.

There is still some hope that Germany may in the end review its position and stay in the programme, even though this would clearly require modifications to the original four-nation project.

The feeling yesterday was this could result in a compromise, with Germany ultimately opting for the EFA airframe but "de-scoping" the aircraft by adapting it with its own avionic and weapons systems to reduce costs.

Senior Royal Air Force officials said yesterday Germany could decide to select a "less capable" version of the aircraft if it changed its operational requirements for the fighter.

An Italian Defence Ministry spokesman has said that officials were aware of the changing German position on the future of the Eurofighter, Robert Graham writes from Rome. But he added that no immediate reaction was likely from the newly-installed government until it had passed a vote of confidence, which will probably be held on Saturday.

Italy formally supports the original project in which it has a 21 per cent stake, both because the air force needs such a new aircraft and because of the industrial spin-offs. Both the Defence Ministry spokesman and Alenia, the state-run aerospace company, responsible for the Italian end of the project, said any decision would have to be a political one.

The European Fighter Aircraft: a plane too far?

ITALY
- 21 per cent workshare
- Total commitment L3000bn (£1.356bn), of which Lire 2,400bn has been spent.
- 15,000 workers, including subcontractors. Most are concentrated in and around Turin.
- Main companies involved are Alenia. The principal subcontractors are Fiat Aviazione (the Italian partner in Eurojet) for engine design and development and Aermacchi.
- Responsibilities include wing assemblies and parts of the rear fuselage made from carbon fibre composites and titanium.

GERMANY
- 33 per cent workshare
- Total commitment to development programme DM5.85bn (£2bn)
- 10,000 direct jobs at stake, mostly concentrated in Bavaria. An additional 10,000 indirect jobs are at risk, especially in small and medium-sized companies.
- Deutsche Aerospace (Dasa) is the principal contractor. Motoren and Turbinen Union (MTU) is the German member of the Eurojet consortium.
- Responsibilities include the midsection of the carbon fibre composite fuselage and the tail assembly, made from carbon fibre composites, glass reinforced plastics and aluminium/lithium alloy.

UK
- 33 per cent workshare
- Total commitment to development programme [illegible]
- [illegible]
- British Aerospace main contractor, Warton plant main production. [illegible] Rolls-Royce represented on Eurojet consortium. General Electric Company developing radar and weapons systems.
- Responsibilities include carbon fibre composite forward fuselage, glass reinforced plastic nose and magnesium area around cockpit.

SPAIN
- 13 per cent workshare
- Total commitment [illegible] (£679.3m)
- 2,000 jobs [illegible]
- [illegible]
- Responsibilities include [illegible]

Casa says alternative fighter not acceptable

By Tom Burns in Madrid

CASA, Spain's state-owned aerospace company and the junior partner in the EFA project, reacted angrily to Germany's decision to pull out from the four-nation programme, saying any alternative fighter would not meet the requirements of the Spanish air force.

A smaller aircraft, as proposed by Germany, would incur additional development costs and would introduce estimated delays of between five and eight years, Casa said.

It added that the consequences of such delays would be serious for the air force and crippling for domestic industries.

Casa has a 13 per cent participation in the EFA project, while the Spanish air force is due to acquire 87 Eurofighter units.

Casa said in a statement that it was "firmly convinced" that the three remaining partners in the project – British Aerospace and Itay's Alenia as well as Casa – could take on EFA together and "keep within the budget levels identified for the four-nation programme".

The acute disappointment expressed by Casa over the German position and the company's bullish intention to push ahead without the Germans reflect the enormous investment already made by Spain in the project and the hopes placed in the programme by domestic industry.

Casa said Spain had already invested Pta70bn (£380m) out of a total Pta125bn in the development phase of the Eurofighter and the production of the aircraft could earn Pta81bn a year over 16 years for Spanish industry.

A total of 18 Spanish companies have been involved in the EFA's development phase, employing some 2,000 highly specialised engineers.

The production of the Eurofighter would generate a total of 22,000 domestic jobs and 50m working hours for the domestic aerospace industry.

Deutsche Aerospace expresses relief at Rühe proposal

By Quentin Peel

THE German aerospace industry showed itself positively relieved yesterday that the government had not decided to abandon the EFA project altogether, but rather to try to negotiate a slim-line derivative.

Mr Jürgen Schrempp, the chief executive of Deutsche Aerospace, the Daimler-Benz subsidiary which has a 33 per cent stake in the project, welcomed the explicit statement by the ruling political parties that Germany needs a new fighter aircraft by the year 2000, and that it should be built on the basis of European co-operation.

"We are happy that these positions, which Deutsche Aerospace has repeatedly emphasised, have been confirmed," he said.

"With the decision to press ahead with co-operation on the basis of the four existing partners in the EFA consortium, and possibly to extend it, the ruling parties have given a clear vote for the maintenance of the technological and competitive capacity of this industry."

Mr Edzard Reuter, the chief executive of Daimler-Benz, also declared himself "relieved and reassured" by the decision.

Yet the industry is clear that all now depends on the negotiations with the partner states, and the chances of success in agreeing on a slim-line fighter based on the EFA are relatively small.

The German aerospace industry federation, BDLI, has calculated that 10,000 jobs hang directly on the future of the EFA, and the same number indirectly.

The project also depends on a huge network of some 500 suppliers amongst small and medium-sized German companies.

Their turnover adds up to some DM10bn (£3.4bn) and their total employment to some 30,000, a third of them likely to depend on the EFA programme.

The BDLI has also calculated that in net terms, after allowing for all the taxes repaid to Bonn from income and corporate turnover generated by EFA, the project would cost significantly less to the German economy than any imported alternative, even far cheaper aircraft such as the MiG-29 or the Swedish Gripen.

Mr Theo Waigel, the finance minister, said yesterday that the CDU/CSU parliamentary group – and in particular Chancellor Helmut Kohl – was clearly opposed to any "imported" fighter aircraft to replace the EFA.

However, the great unknown now remains whether Germany can persuade its partners to cut back the EFA project to accommodate the German concerns, and save the DM5.85bn in development cash which it has committed to the project all the way to 1999.

Deutsche Aerospace concluded yesterday that it now expected Mr Volker Rühe, the defence minister, to reach an agreement with the governments of the EFA partner countries, and then to report back "a precise definition of the specifications and the construction of the altered fighter aircraft, and how it should develop from European co-operation.

"Then the company can investigate the industrial requirements needed to realise the project," it said drily.

Lighter and cheaper mean easier to shoot down, says UK

By Paul Betts

"THE EFA is dead; let's make a lighter aircraft." That, in a nutshell, is how a British defence official yesterday interpreted Germany's rejection of the £20bn four-nation programme.

But, echoing the position of both the government in London and British Aerospace, he quickly pronounced as unworkable the proposal by Mr Volker Rühe, the German defence minister, to build a cheaper and lighter version of the aircraft. Britain, the other leading partner with Germany in the European fighter project, considers the Rühe plan flawed on both military and industrial grounds.

Although the UK, together with Spain and Italy – the junior partners in the programme – are prepared to discuss the German proposal, they are expected to try to use the talks to persuade Germany to reconsider.

While the three other partners accept that there is no longer a threat from the combined forces of the former Warsaw Pact countries, they insist that the Atlantic alliance now faces a multi-faceted and less foreseeable security risk.

One of the biggest risks, they argue, is the increasing number of sophisticated weapons falling under the control of smaller and potentially unstable nations and the deployment of highly capable Russian fighters such as the MiG29 or the Su27 in a growing number of countries.

"Russia has already exported many of its very sophisticated aircraft to a significant number of countries, including Third World countries like Iraq, Iran and North Korea," Mr Malcolm Rifkind, the UK defence secretary, said yesterday.

Any alternative to the EFA would still have to provide the four air forces of the partner countries with a modern combat aircraft capable of winning any engagement against the equivalent of a MiG29 or Su27. Such a fighter would be required to engage multiple targets, be extremely agile in both subsonic and supersonic flight, and have very high rates of climb and acceleration.

A smaller version would inevitably have a lower capability, carrying less fuel and fewer weapons.

UK defence officials believe such an aircraft would be likely to be defeated in combat and therefore not worth investing in.

It would be feasible technically to incorporate EFA technology into a smaller aircraft.

However, preliminary studies suggest that the current development effort in EFA, whose cost is now nearing £8bn, would not be directly applicable to any new fighter aircraft programme and would largely have been wasted.

The proposal would mean:
- The seven EFA prototypes now at final assembly would have to be scrapped;
- New prototypes would have to be built and the partners would have to start a new design from scratch;
- The EJ200 engine being developed by Rolls-Royce, MTU of Germany, Fiat and ITP of Spain would have to be redeveloped;
- Radar, electronic warfare and flight control systems being tailor-made for the fighter would also have to be scrapped or redesigned.

Any plans for a new aircraft would seriously delay the current development programme started in 1988 and scheduled to be completed in 1999.

New feasibility studies, project definition and other negotiations between the partners could take between five and eight years, delaying the replacement of ageing aircraft in the four air forces.

Germany has suggested that its smaller EFA2000 project could involve other countries, including possibly France and Sweden. This would imply that both those countries would be prepared to scrap their own principal military aerospace projects: the Rafale fighter in France and the Gripen JAS-39 light multi-role aircraft in Sweden.

There has been no evidence so far that either nation would be prepared to do anything of the kind.

France orginally pulled out of European collaboration on a new fighter in 1985 because it wanted an aircraft optimised for naval and ground attack roles rather than the EFA's primary air-to-air defence role.

Rafale's unit production costs, which have been formally quoted by the French government to Germany, are understood to be higher than for the EFA.

German and British studies also rate the French aircraft below the European fighter in air defence operational capability.

Rühe: proposed alternative

Lloyd's spiral to ease risk led to disaster

A group of more than 4,000 Lloyd's names heard yesterday that they would soon have to pay a further £307m to meet losses from disasters they helped insure in the late 1980s. Richard Lapper tells the story of Gooda Walker and describes the LMX spiral, which produced the immense losses

IN THE 1980s, companies and syndicates in the London insurance market developed a highly profitable business based on the sale of reinsurance policies to each other.

The business was built on two simple concepts: large catastrophes such as hurricanes are very expensive when they occur, but they happen *very infrequently.*

But the insurance professionals who developed what became known as "the spiral" also recognised that because the resources that would be needed in the event of a catastrophe were huge – the Piper Alpha oil rig disaster in July 1988 cost $1.4bn (£737m) – a way had to be found to spread the risk as widely as possible.

What was originally conceived as a means of spreading risk rebounded badly.

Instead of diversifying the losses, the spiral served to concentrate *the damage in a relatively small corner of the London insurance market.* Names – the individuals whose wealth backs the market – face huge losses as a result.

At Lloyd's, the market leaders, the biggest of those syndicates, have been devastated by some of the biggest losses ever recorded at the insurance market – nearly half the £2.06bn loss reported by the market in 1989.

The spiral was a high-risk, high-reward business. It was also potentially lethal.

To take part in the spiral, Names needed to be "richer than God", said Mr Jim Payne, a leading reinsurance broker. Thousands of Names whose total wealth amounted to little more than a suburban house were sucked into these high-rolling syndicates.

There was a massive inflow *of Names to the market after* 1985, drawn into Lloyds by the prospect of easy money.

"The overcapacity increased competition and depressed premium rates.

A number of underwriters became complacent. "They wrote business as if the big one was was never going to happen", one agent says.

The spiral worked like this: an insurance company insures a large number of houses in the UK and wishes to protect itself against the risk of storms, such as the ones in *October 1987 that laid waste* swathes of the south-east of England.

The insurance company insures all loses up to £100m. Brokers operating on its behalf devise a reinsurance programme that might reinsure all losses exceeding £100m.

That would be be only one of many similar exposures reinsured on the London market. A way had to be found to spread the risk in the event of a number of disasters happening during the same period.

Companies and syndicates would divide risks into layers.

One typical programme might insure all losses from £100m up to, say, £150m.

That slice of risk would, in turn, be divided into layers of say £2m each. Each of those layers would in turn be divided up and offered for reinsurance *to syndicates and companies.*

The net result would be that the premiums paid to insure that original £150m would involve several hundred separate policies.

But the spiral did not stop there – in fact, it had only really begun. Reinsurers would now seek to offset some of the risk they had assumed.

This is called a retrocession market – the reinsurance of reinsurance.

The reinsurer who might already have participated in, say, a dozen reinsurance transactions, would seek to buy *cover in order to offset his own* overall exposure to catastrophe loss.

Those retrocession programmes would again be layered and so on.

The retrocession markets became known as London Market Excess or (LMX).

The net result was to create a chain or spiral of reinsurance arrangements in the market, with many syndicates and companies cropping up at different points in the chain – sometimes as reinsurers assuming risk, sometimes as reinsurers ceding risk to another reinsurer.

That high risk and fragmented market helped to improve cashflow because of the time taken to collect hundreds of small reinsurance claims.

Reinsurers at the top of the spiral were paying claims from *a loss at the Avondale* shipyard in the US nearly 12 years after the blaze led to losses of more than $100m, even though the owner of the shipyard and the vessels were paid soon after the event.

Confidence among spiral reinsurers was fuelled by the infrequency of large claims between 1970 and 1987. Catastrophe reinsurers produced good profits, and many new Names were attracted to these syndicates.

Warnings from professionals that this was a high-risk market *were ignored. In some* cases, Names were encouraged by a number of agents anxious to increase their own income – itself based on fees and profit commissions charged to Names.

As capital flooded into the market, competition for business increased, depressing premium rates. In this soft market, arbitrage – the exploitation of price imperfections – became rife. Underwriters could reinsure a set of liabilities for one price then reinsure the same liabilities for less, pocketing the difference. "Making a turn was the easiest way to make money," says one successful spiral underwriter.

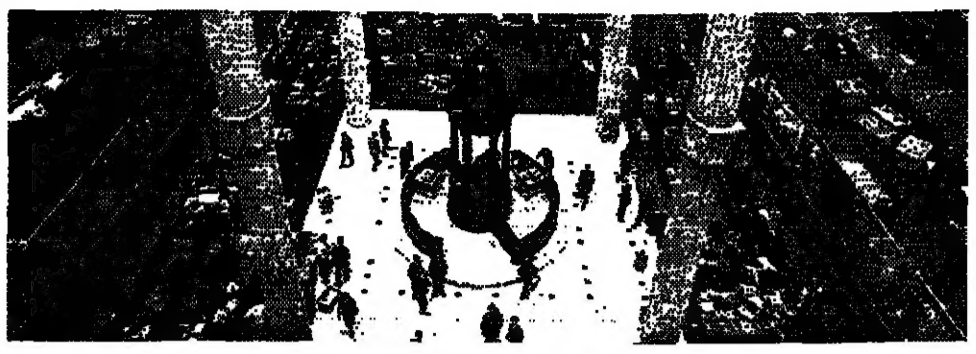
Spiral business was extremely attractive business for brokers, who earned 10 per cent commission on any deal. But the market was blown apart by several catastrophes in the *late 1980s.*

As the market became more efficient in processing claims, the spiral speeded up and underwriters were called upon to pay claims faster.

Underwriters who did not have to pay out for five years after hurricane Alicia in 1983 were faced with huge claims for hurricane Hugo in September 1989 barely a year after the event.

The disasters exposed a big structural weakness at Lloyd's. Syndicates – annual joint ventures of Names – exist only *for a year, so they cannot build* up reserves to cover losses from future years. In good years when there are few catastrophes, reinsurance companies can build up reserves to cover themselves against bad years – as in the period between 1988 and 1990.

By contrast, Lloyd's syndicates are obliged to distribute profits earned in the good years, leaving Names with the responsibility of building up their own reserves. Few appear to have done so.



HOW THE SPIRAL WORKS

1 A large direct insurer issues 2m homeowner policies, averaging £50,000 – total exposure £100bn. It receives a total premium of £250m.

2. The insurer buys excess loss reinsurance covering a total exposure of £225m. This is spread among five reinsurers, each of which receives £5.4m in premium. A broker places the business with each reinsurer and earns a commission of 10 per cent.

3. *Those reinsurers buy excess loss reinsurance – or retroinsurance – covering a* total exposure of £175m. They pay premiums of £486,000 to 25 separate reinsurers. Again a broker makes 10 per cent on each deal.

4. These reinsurers buy their own excess loss reinsurance – or reinsurance of retrocession – to cover £137.5m in exposure. This is spread among among another 125 reinsurers, each of which receives £43,740 in premium and takes on exposure of £1.1m. Yet again a broker makes 10% on each deal.

WHAT HAPPENS WHEN A CLAIM OF £100m OCCURS

	Gross claims	Recovered from reinsurance	Net claims	Premium retained	Net claims as % of premiums
Primary insurer	£100m	£75m	£25m	£220m	11%
Reinsurer	£15m	£5m	£10m	£2.7m	370%
Retrocession insurer	£1m	0	£1m	£243,000	412%
Retrocession reinsurer	0	0	0	£43,740	0

WHAT HAPPENS WHEN A CLAIM OF £200m OCCURS

	Gross claims	Recovered from reinsurance	Net claims	Premium retained	Net claims as % of premiums
Primary insurer	£200m	£175m	£25m	£220m	11%
Reinsurer	£35m	£25m	£10m	£2.7m	370%
Retrocession insurer	£5m	£3.5m	£1.5m	£243,000	617%
Retrocession reinsurer	£700,000	0	£700,000	£43,740	1600%

The size of loss increases but the frequency of loss decreases as you go though the spiral; the same reinsurers and brokers can participate at different levels of the market. Source Sedgwick

A spectacular story of boom and bust

THE HISTORY of Gooda Walker, the Lloyd's agency that has been most heavily hit by losses from spiral reinsurance, is one of the most spectacular boom-and-bust stories ever seen at the insurance market.

Gooda Walker's seven Lloyd's syndicates produced losses of £491m in the 1989 year. The 4,000-plus Names who backed the syndicates learned yesterday that they must pay a further £307m by the end of July to help meet those losses and losses from earlier years. Names have already been asked to pay £365m since April last year.

According to Mr Ralph Sharp, chairman of GW Run Off, which is now handling the syndicate's affairs, the run-off – the process whereby future insurance liabilities are settled – will be the longest and most complex in the history of the Lloyd's market.

Yet in the mid-to-late 1980s Gooda Walker appeared to be one of the most successful businesses at Lloyd's.

The agency's biggest syndicates, underwritten by Mr Derek Walker, co-owner of the agency, were the "engine room" of the spiral, underwriting hundreds of separate reinsurance contracts.

The group's fortunes centre on the relationship between Mr Walker, a Londoner, and Mr Tony Gooda, son of the founder of the Gooda & Partners agency, which lies at the core of the business.

Mr Walker, now in his early 60s, joined Gooda straight from school in the 1940s, but from the 1960s *gradually* took a more prominent role in the underwriting side of the business, while Mr Gooda built up the group's members' agency, handling the affairs of Names – the individuals whose assets provide the market's capital base.

In the 1970s Mr Walker won a reputation at Lloyd's as a spiral underwriter, providing aviation reinsurance to other London market companies and Lloyd's syndicates.

Mr Walker's relationship with Gooda strengthened with the business setting up new syndicates in 1974, 1976 and 1979. In 1981 the relationship survived its toughest test, when Mr Walker was acquitted at the Old Bailey after being accused of participation in a series of bogus reinsurance transactions.

Mr Walker, who was awarded costs, was stung by the episode. After briefly suspending himself from the market, he re-entered in the early 1980s, *determined to engineer a* rapid expansion of the business.

Mr Gooda recruited Names and often channelled them into the group's own syndicates, while Mr Walker built up his share of the lucrative spiral reinsurance market. For a time it was a highly successful exercise.

The capital base of the group's seven syndicates rose from £47.9m in 1983 to £270.4m in 1988. The number of Names on Mr Walker's own syndicate – number 290 – more than trebled from 713 in 1983 to 3,163 in 1989, attracted by its impressive record of profitability.

In 1986 the syndicate ranked seventh out of 102 non-marine syndicates, and between 1981 and 1986 ranked among the top 25 per cent of performers in five out of six years.

Other syndicates in the stable fared less impressively. Even so, there were enough encouraging signs to lead the group to believe Mr Walker's knack *might* eventually pass on to other syndicates in the group.

The lifestyles of Gooda Walker's leading executives flourished with the group's expansion. "They lived the good life," says a former manager. "They entertained royally. There were cars for senior people and senior people's wives." Mr Walker maintained a fleet of expensive cars and ran an aircraft, although he remained stubbornly distant from the socialising. "Derek was not prepared to compromise," says a former colleague. "He came in his Marks and Spencers' suits, plain white shirt and Tuff shoes. People from outside the old-school-tie ethos took a lot of care about the way they dressed in order to win acceptance, but Derek dismissed all that."

The group's rapid expansion in the spiral LMX market left it extremely vulnerable. Business had been won by very aggressive pricing while the *group boosted profits by buying* limited amounts of reinsurance cover, running very large potential exposures in relation to the amount of premium accepted.

Gooda Walker's troubles were aggravated by the inexperience of some of the newer underwriters.

The succession of catastrophes beginning with Piper Alpha in July 1988 and ending with the European storms of January 1990 had a devastating effect.

Even after hurricane Hugo in September 1989 – the biggest loss ever to affect the Lloyd's market – Gooda syndicates were aggressively competing for LMX business and seemed unaware of their potential losses.

The storms of January and February 1990 were the *coup de grace*. However, even then, awareness of the extent of the debacle was slow to dawn.

In a sad but ironic final flourish, Gooda Walker's executives *decided* they needed more office space and contracted to lease a large property.

They were the last people to pay a premium before the property market crashed, ending up paying £600,000 a month for three times as much space as they needed.

In October last year Gooda Walker ceased trading.

Walker reports cause anger and surprise

By Bethan Hutton, Andrew Jack and David Owen

LLOYD'S Names and other observers of the insurance market reacted with surprise and anger yesterday to reports that the committee of inquiry set up by Sir David Walker appeared to have dismissed allegations of fraud.

Newspaper reports of the inquiry findings – which were considered by the market's ruling council yesterday but were not made public – indicated Lloyd's was cleared of fraud and malpractice. But the report criticised the standards of some professionals and the process by which some Names were allocated to syndicates.

Mr Peter Hain, Labour MP for Neath, renewed his call for the government to launch an official inquiry into Lloyd's and described the Walker report as "a whitewash".

Mr Clive Francis, chairman of the Syndicate 334 Names association, said: "It would appear that Sir David Walker has confirmed the worst fears of all the Names out in the sticks that there has been materially sharp practice at Lloyd's."

Mr Claude Gurney, an outside Name who has helped to organise an extraordinary general meeting criticising the council, said: "If there is negligence and malpractice, either the council has covered it up, which is very serious, or they were not aware of it, which is even more serious."

Mr Andrew Grossman, the outgoing chairman of the *Distressed Names Association*, said he believed the "ultimate judgment" would be made in one of the actions in US courts.

Mr Grossman said he was not completely surprised by the conclusions of the report. "I am disappointed because I think it means that there is no immediate official remedy. It is a reflection of the inadequacies of investor protection as applied to Names, and many of these names were clearly in need of protection."

He said: "Basically Lloyd's is exempt through an accident of history."

Mr Tom Benyon, chairman of the Society of Names, said: "I understand that David Walker has strongly criticised agents on grounds of negligence. In that case obviously one applauds that. He says there were no grounds for fraud in the spiral, but I should like to see Sir Patrick Neil's comments on that."

Sir Patrick's report on whether there was fraud in the spiral is due in August. Mr Benyon said the report's comment that there was nothing improper *in the development* of the LMX spiral was "an astonishing statement".

He said: "You have got thousands of people herded on to these disastrous syndicates by negligent agents who are the responsibility of Lloyd's. Of course it was preventable."

Suggestions of fraud and malpractice dismissed

By Andrew Jack

LLOYD'S of London has been cleared of any suggestion of fraud or malpractice by the committee of inquiry set up under the chairmanship of Sir David Walker.

But in the report submitted to the insurance market's governing council yesterday morning, Sir David criticises the standards of some market professionals. He says the care and diligence of a number of members' agents, managing agents and active underwriters fell "materially below *best practice*".

He calls for new regulations to ensure fairness in the allocation between syndicates of Names.

He also calls for a system of peer review, meaning that those in the market constantly monitor one another's standards of practice to raise quality.

Sir David emphasises that the existing weaknesses in the market are not significantly caused by the regulations under which Lloyd's is governed.

The Walker committee was established in February to examine allegations that so-called external Names were disproportionately placed on syndicates that lost most.

The report says that the "catastrophic losses" sustained in the 1988 and 1989 underwriting years can be wholly explained in terms of commercial factors and judgments.

It says the losses sustained on so-called LMX – London market excess – business were not confined to Lloyd's syndicates but were also experienced by a number of corporate reinsurers.

The report says: "We do not find the developments of the LMX spiral to have been improper or to have been distorted by conspiracy or misfeasance." It adds that confidence in the market can be rebuilt, and recommends reforms that could be undertaken within the existing framework of self-regulation.

It calls for action to restore the capital base and to create the conditions under which corporate capital could be introduced, as the Lloyd's task force suggested earlier this year.

However, it says: "We believe that there is need to underpin the duties of members' agents under the law of agency and existing Lloyd's bye-laws with further and specific conduct of business regulations designed to ensure fairness in syndicate allocation and to promote standards of advice and protection for Names comparable with those for private investors under the Financial Services Act."

Lloyd's said yesterday: "The council has considered [Sir David's] report and welcomed it. Several of its recommendations – including the call for peer review – accord with its own current thinking. There is obviously much to be learned from his committee and we will apply these lessons vigorously."

Bidder pulls out of Channel 5 race

By Raymond Snoddy

THE Entertainment Channel yesterday formally decided not to bid for the Channel 5 licence.

The company formed by Mr David Frost, the television presenter, and Mr Jeremy Fox, the independent producer, said on Tuesday it would continue to explore ways of making a bid for the new channel. The company had suffered when two potential shareholders, TV-am and Mr Conrad Black, chairman of the Daily Telegraph, decided not to go ahead.

Yesterday Mr Fox, who would have been chief executive of the channel if the company had won the licence, decided against making a bid.

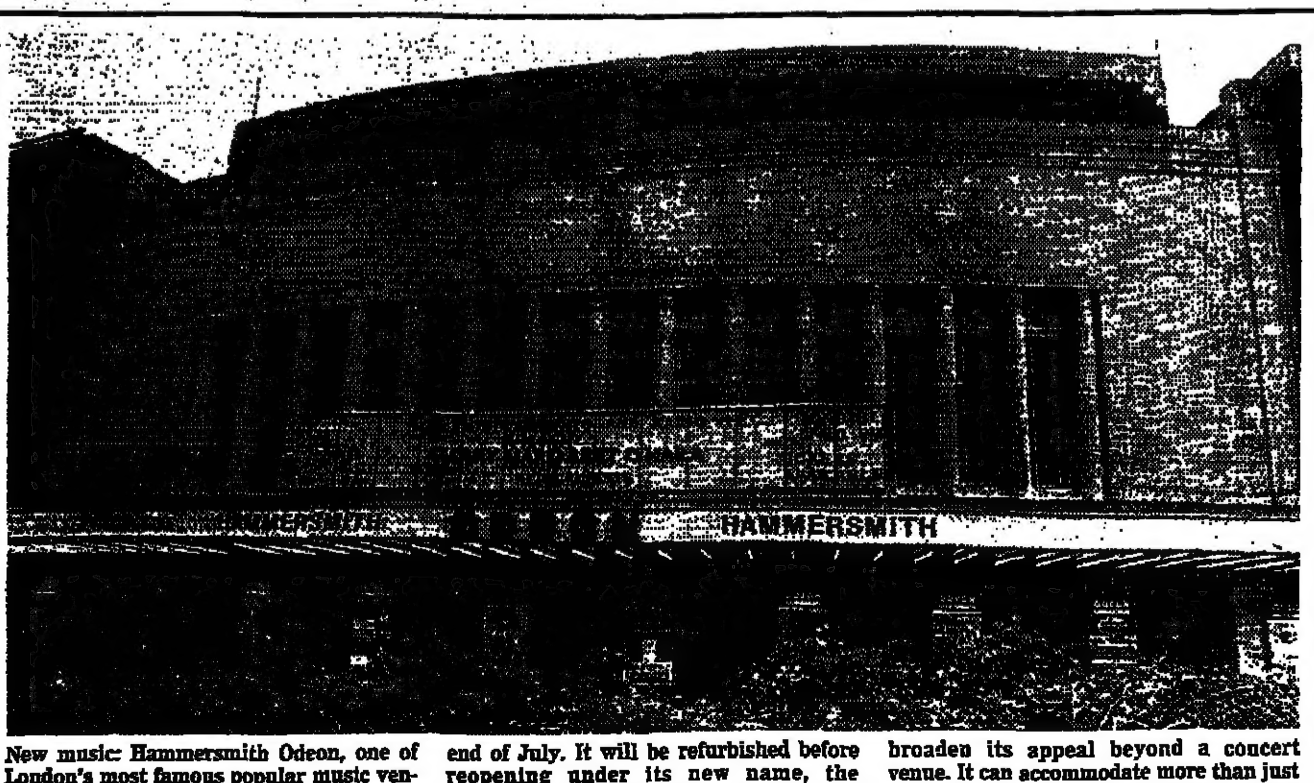
The main reason for the decision was the growing realisation that the sort of programmes they could afford to produce would not be good enough to persuade enough people to buy the new aerial that will probably be needed in most parts of the country to receive a clear picture.

The decision means it is now increasingly likely that only one significant bid will be received by the Independent Television Commission when bids close on Tuesday, and that it will be the minimum of £1,000 a year.

The bid, now being led in effect by Mr Richard Dunn, chief executive of Thames Television, will be in the name of Channel 5 Holdings. This new company takes in both the investors and the concept associated with Five TV.

That is based on a core of programmes transmitted nationally but supplemented by local programmes opting out of the national output.

The shareholders include Sony Pictures and CanWest, a Canadian-based international broadcaster.



New music: Hammersmith Odeon, one of London's most famous popular music venues, will be transformed later this year in a £4m takeover deal. Rank Organisation has sold the building to Apollo Leisure and the venue, which celebrates its diamond anniversary this year, closes at the end of July. It will be refurbished before reopening under its new name, the Hammersmith Apollo. The entertainment company also owns London's Apollo Victoria Theatre and has an interest in The Dominion. Mr Paul Gregg, managing director, said yesterday: "We intend to broaden its appeal beyond a concert venue. It can accommodate more than just rock concerts, although we want to carry on attracting the major artistes." The group has a chain of theatres, cinemas, hotels, bingo and social clubs as well as concert venues. *Picture: Trevor Humphries*

Whitehall seeks to protect teas

By Alison Smith

TEA ladies and messengers were described in a Whitehall department's response to the Citizen's Charter unit as core services that could not be subjected to market testing.

That reaction is one of the reasons that Mr William Waldegrave, the public services minister, is considering the publication of a league table showing how far government departments have met the targets for market-testing their functions.

The aim of market-testing is to ensure that the costs of providing services internally are clearly identified, so that they can be compared fairly with the private sector, instead of being obscured behind a global figure for overheads.

Although the overall mood of the Downing Street seminar on the Citizen's Charter, chaired by Mr John Major just over a week ago, was positive, senior ministers were said to have been disappointed by departmental consideration of how to move forward on market-testing and contracting out.

Almost all departments were said not to have reached the targets set for market-testing, and Sir Peter Levene, the part-time head of the prime minister's efficiency unit, has started a fresh round of discussions with officials intended to put more pressure on departments to take the initiative more seriously.

If the results of that are still unsatisfactory, then a series of ministerial meetings with Mr Waldegrave will be set up.

Officials made clear that there would have to be several qualifications to the rankings, to take account of how far a department had already contracted out services and which of the remaining areas could not be contracted out.

Rail sell-off jeopardised by £144.7m loss

By Richard Tomkins, Transport Correspondent

PROSPECTS for the privatisation of British Rail worsened yesterday as it became clear that the railway's brief era of profitability in the late 1980s had decisively ended.

Results for the year to March 31 showed BR plunging into pre-tax losses of £144.7m compared with the previous year's relatively modest loss of £10.9m.

More significantly, the mismatch between falling income and record levels of investment pushed borrowings up from £609.7m to £1.15bn - by far the highest level since 1968, when they reached £1.6bn and triggered a £1.2bn government write-off.

Board members acknowledged privately that the cost of servicing BR's escalating debts meant the railway was unlikely to return to significant profits in the near future, even in an economic upturn.

Recession was partly to blame for the rise in pre-tax losses. The passenger and freight businesses alike suffered downturns in demand, leaving revenues unable to keep up with rising costs.

But the biggest impact on the results came from the severe deterioration in property profits and the cost of borrowing to finance BR's £1bn-a year investment programme.

In the late 1980s BR enjoyed three consecutive years of annual profits exceeding £200m because of windfall gains from big commercial property developments such as Broadgate, over London's Liverpool Street station.

InterCity, regarded as the jewel in BR's crown, barely broke even in the year to March 31, its operating profits falling from £49.7m to £2m. The only other part of the railway to show an operating surplus was trainload freight, which made £67.5m (£98.7m).

BR's results come just two weeks before the expected publication of a policy document setting out the government's plans for rail privatisation. The corporation's poor financial performance may add to the private sector's suspicions that there is little money to be made from running trains.

Britain steps up bid for European bank

By David Marsh, European Editor

BRITAIN plans to step up its campaign during its six-months EC presidency to bring the European central bank to London.

Sir Brian Jenkins, Lord Mayor of London, yesterday said he would keep up the struggle in spite of the weekend call by 10 of Britain's 11 EC partners to site the bank in Bonn.

Sir Brian's drive is backed by Mr Robin Leigh-Pemberton, governor of the Bank of England, who wants at least the operational arm of the bank sited in London.

He believes the size of London's financial market would give the European central bank the best possible connections to world business. Britain's political position on the bank site has been weakened by the UK's treaty reservations on whether to join the third stage of economic and monetary union (Emu).

Sir Brian claimed Germany was trying to make acceptance of Frankfurt or Bonn as the bank site a condition of Germany's willingness to take part in Emu. "The Germans will only opt in [to Emu] if they get the bank," he said.

The decision on the site of the European Monetary Institute, likely to predetermine the home of the European central bank, is to be made at the Edinburgh summit at the end of the British EC presidency in December.

Andy Mears

THE MERCHANT of Venice comes to Rose Court, the empty office block built over the remains of the 16th-century Rose Theatre on the south bank of the Thames in London. Actors Frank Jarvis (left), Tony Protacio and Jacqueline Quella, above, have been rehearsing in the basement - kept waterlogged to preserve the timbers of the theatre where Shakespeare once performed.

Ulster leaders agree talks with Dublin

By Ralph Atkins

THE politics of Northern Ireland took a step into uncharted territory last night when Unionist and nationalist leaders agreed to substantive negotiations with the Irish government.

British and Irish ministers are also to start talks on relations between the two countries, including possible replacements to the 1985 Anglo-Irish agreement.

The break-through, brokered by Sir Patrick Mayhew, Northern Ireland secretary, adds a rare sense of momentum to all-party talks on the province's future.

It follows a "talks about talks" meeting in London on Tuesday where Irish ministers met hard line Unionists for the first time since partition in the 1920s.

With participants maintaining the confidentiality surrounding the talks, it remains unclear to what extent Unionists and nationalists have agreed on proposals for devolution in the province – the subject of the first "strand" of the current round of talks which have been taking place in Belfast for nine weeks. The Irish government was excluded from strand one.

There may, however, be an embryonic deal on a devolved assembly for the province with a "panel" that would form a quasi-Cabinet.

Lack of progress in "strand one" prevented, until yesterday, Sir Patrick from announcing the second and third strand – on relations between north and south Ireland and between London and Dublin respectively.

As late as the weekend, the Rev Ian Paisley, leader of the Democratic Unionist Party, insisted later stages could not start until agreement was reached on devolution.

Amid strong pressure from the Irish government, however, Sir Patrick appears to have persuaded Unionists not to block a start of "strand two" – possibly by gambling that Mr Paisley and Mr James Molyneaux, leader of the Ulster Unionist Party would not want to derail the talks.

"Strand two" will start in London, probably next week, before moving to Belfast and Dublin. The independent chairman will be Sir Ninian Stephen, former governor general of Australia.

Recession deepens in construction industry

THE RECESSION in Britain's construction industry appears to be deepening, with forecasts yesterday of a further sharp fall in output this year, writes Andrew Taylor.

The National Economic Development Office (NEDO) delayed publishing its forecasts for a week in order to revise its figures to take account of the deteriorating conditions in the market.

According to the joint forecasting committee of NEDO's construction industry sector group, the value of construction output, measured in constant 1985 prices, will fall by a further 6.5 per cent this year.

Previously the committee had forecast that output would fall by 5.5 per cent this year. Last year UK construction output fell by 9 per cent.

The committee – with representatives from construction companies, mortgage lenders, building material producers and building unions – said the industry's recovery, which had been expected to start next year, would not take place until 1994.

Britain in brief

Companies disclose pay for directors

Large British companies are disclosing more information about how much they pay their directors, but most still fall far short of the recent Cadbury committee guidelines, according to a study published today.

The latest report produced by Monks Partnership, independent remuneration advisers and consultants, also shows that top directors' pay increases in industrial companies slowed last year to an average 8.4 per cent from 11.4 per cent in 1990.

Although three quarters of FTSE-100 companies said they had a remuneration committee as recommended by the Cadbury report on corporate governance, only seven met all the guidelines.

Tennis aces knocked out

Pete Sampras of the US (below) defeated defending champion Michael Stich of Germany at the Wimbledon tennis championships. In another quarter-final Stefan Edberg was beaten in five sets by Goran Ivanisevic of Croatia. In the women's singles quarter-final Gabriela Sabatini of Argentina beat Jennifer Capriati of the US. Rain halted the day's other matches.

Hurd to visit Hong Kong

Mr Douglas Hurd, the foreign secretary, told the House of Commons he will visit Hong Kong from July 26 to July 28. Replying to demands for early action to extend democracy in Hong Kong before it reverts to Chinese sovereignity in 1997 he made it clear that decisions about the election to be held in 1995 were still some way off.

Carmakers in tax protest

UK carmakers and importers are voicing growing concern that Inland Revenue proposals for restructuring company car taxation, expected to be published in the next few days, will retain car pricing bands to which the industry is bitterly opposed.

The review, which directly affects some 3m company car drivers, was ordered by the chancellor, Mr Norman Lamont, at the time of his March Budget. His declared aim at the time was to introduce simplified taxation scale charges for company cars.

Tourism boost

New tourist figures show 1.5m overseas visitors came to the UK in April 1992 – 16 per cent up on the same month last year. They also spent a record £570m in April – an increase of 20 per cent on last year.

Royal Mint

The Royal Mint wishes to clarify that it is issuing 2,500 gold proof 50 pence pieces commemorating the UK's presidency of the EC and 35,000 sterling silver versions of the same coin. As the result of an agency error the figures contained in an FT report of June 30 were wrong.

FT LAW REPORTS

Restitution claim can go ahead

SECURITIES AND INVESTMENTS BOARD v PANTELL
Court of Appeal:
Lord Justice Neill, Lord Justice Scott, and Lord Justice Steyn:
June 12 1992

A SOLICITOR who is knowingly concerned in his client's illegal financial services transactions can be ordered by the court to take steps to restore innocent investors to their pre-investment position or to remedy their situation though he received none of the invested sums and was not party to the transactions, provided the order is intended to effect, and might be reasonably capable of effecting, restitution or a remedy.

The Court of Appeal so held when dismissing an appeal by solicitors as third, fourth and fifth defendants from a decision (*FT, August 9 1991*) of Sir Nicolas Browne-Wilkinson, vice-chancellor, refusing to strike out the claim against *them in an action by the* Securities and Investments Board against Pantell SA and others.

The facts set out in the judgment were *as alleged by the* SIB, and for the purposes of the striking-out application were assumed to be correct.

LORD JUSTICE SCOTT said that from about April 1988 to March 1989 Pantell, a Swiss company, carried on unauthorised investment business in the UK.

In the course of that business Pantell distributed false and misleading advertisements and made unsolicited telephone calls to persuade persons in the UK to purchase shares in a Utah company, European American Corporation Inc (Euramco).

The solicitors acted for Pantell.

Carrying on unauthorised investment business in the UK was a contravention of section 3 of the Financial Services Act 1986. The publishing of misleading advertisements contravened section 47. The advertisements had not been approved of by an authorised person, in contravention of section 57. The sale of shares in consequence of unsolicited telephone calls contravened section 56.

The Act not only imposed criminal sanctions for contraventions, but also provided remedies for investors who entered into share transactions as a result.

Section 6(2) provided that if the court was satisfied a person had entered into a transaction in contravention of section 3, it might order him, "and any other person ... knowingly concerned in the contravention to take such steps as the court may direct for restoring the parties to the position in which they were before the transaction was entered into".

The SIB sought a remedy against the solicitors under section 6(2). It alleged they were "knowingly concerned" in Pantell's contravention of section 3.

Section 61(1) provided that if there was a reasonable likelihood that "any person" had contravened sections 47, 56 and 57 or 59, the court might make an order requiring him "and any other person ... knowingly concerned in the contravention to take such steps as the court may direct to remedy it".

The SIB sought a remedy against the solicitors under section 61(1), alleging they were "knowingly concerned" *in Pantell's contraventions of* sections 47, 56 and 57.

The solicitors denied they were "knowingly concerned", but contended *that even if they* were, on the true construction of sections 6(2) and 61(1) the SIB was not entitled to the relief claimed. They asked for an order that the action against them be struck out.

Sir Nicolas Browne-Wilkinson V-C dismissed the summons.

The solicitors' case was based upon the undisputed fact that none of the payments made by the investors were made to them. The vice-chancellor concluded that receipt of the money by the person "knowingly concerned" was not a necessary precondition of a restitutionary order under section 6(2), nor of a remedial order under section 61(1). The solicitors appealed.

Mr Sumption for the solicitors submitted that the relief claimed under sections 6(2) and 61(1) could not succeed, since it was a claim for compensation for loss and there was no jurisdiction to order compensation for loss against persons "knowingly concerned". He said the orders sought were not restitutionary, because the solicitors had received nothing from the investors and so had nothing that they could restore.

While orders made under section 6(2) and section 61(1) must be restricted to their proper restitutionary purpose, it was not right to emasculate the restitutionary remedy available against persons "knowingly concerned" on the ground that they were not liable to be subjected to compensatory remedies.

The precondition of an order under section 6(2) was that a person had transacted in contravention of section 3.

The purpose of an order under section 6(2) must be to restore parties to the transaction to the position in which they were before it was entered into. So an order ought not to require a contravenor to repay the purchase price of shares unless there was also provision for the return of the shares by the investor.

Provided the precondition was met, the only limitations on the type of order that could be made under section 6(2) that were justified by the statutory language were that the order must be intended to restore the *transacting parties to their* respective former positions and that the steps directed by the order to be taken must be reasonably *capable of doing so.*

Subject to those limitations there was no reason why restrictions should be placed on the type of order that could be made under section 6(2). The width of the statutory language, "such steps as the court may direct", was striking and there was no good reason why it should be restricted. Nor did the statutory language warrant any distinction between the type of order that could be made against the contravenor and the type of order that could be made against a person "knowingly concerned".

The fact that a person "knowingly concerned" had not received anything under the transaction did not restrict the court's power to make a section 6(2) order against him.

Each investor must be willing that there should be a rescission of the investment transaction in question, and be willing to return any shares or money he had received under the transaction.

Similar points arose in relation to section 61(1).

There were two relevant preconditions before an order "to take steps" could be made under section 61(1).

One was that a person had contravened one of the statutory provisions referred to in subsection (1)(a). It was alleged that Pantell had contravened sections 47, 56 and 57. The second precondition was that there were steps that could be taken for remedying the contravention.

The court was empowered if those two preconditions were *satisfied, to make an order for* "such steps as the court may direct" to "remedy" the contravention. The steps directed *must therefore* be intended *to* remedy, and be reasonably capable of remedying, the contravention.

Subject to those *limitations* as to purpose and effect, there was no reason to place further limitations on the steps the court could direct to be taken under section 61(1).

In the light of that analysis of sections 6(2) and 61(1) it was not a valid objection to the SIB's case that the solicitors had not received any of the investors' money.

Orders under the sections should be directed to restoring not only investors but all parties to their former positions, and not to a class but to individual transactions. A restitution order could not remedy a section 57 contravention.

The appeal was dismissed.

LORD JUSTICE STEYN concurring said that the genesis of the provisions was the widespread belief that operations of share-pushers were damaging the integrity of the markets and contrary to public interest. Share-pushing operations were only made possible because of the assistance of third parties, such as bankers, accountants and solicitors.

"Knowingly concerned" was not defined. Mere passive knowledge would not be sufficient. Actual involvement in the contravention must be established.

LORD JUSTICE NEILL agreed with both judgments.

For the solicitors: Jonathan Sumption QC and Leslie Kosmin (Barlow Lyde & Gilbert).

For the SIB: David Oliver QC and Thomas Lowe (Booth & Blackwell.

Rachel Davies
Barrister

PEOPLE

Product user turns consultant

When David Evans (right) used to work his way around the world's central banks in the early 1980s demonstrating Devon Systems International software packages for managing financial risk, the product was little known, and because of his name, it was commonly assumed to be his brainchild.

Now, Devon has 200 employees and the financial backing of its parent SunGard of the US.

And Evans, who in those days was just demonstrating how the product helped his then employer Samuel Montagu fulfil its reporting requirements, has decided to join the UK subsidiary as a senior consultant.

The specialist in securities, derivative instruments and forex software packages has been on the acquisition trail in recent months and Evans' task is to provide advice on the right way to integrate and internationalise the new purchases. His perspective will very much be that of a systems user. "I can't write a line of code," he points out.

Evans, 44, for many years in charge of the operations side of the capital markets business at Samuel Montagu and then Midland Montagu, was around in the "frontier" days of futures and options in London – in 1982 he recalls spending a week trading on the floor of Liffe as soon as the exchange opened just so that he understood exactly what was involved.

Those were early days for Devon, too, and Evans remembers weekends "brainstorming" with chairman Cristobal Conde, helping with the "real dirty" systems development work.

The two have remained in touch since then and Evans notes how "with the market becoming much more staid recently, I am delighted to be doing what I should have done many years ago".

Insurance moves

■ John Wybrew is to take up the posts of chairman and managing director at Windsor Life, rejoining the company after a two-year hiatus at British American Assurance Company in Singapore. Wybrew, *who joined Windsor in 1965,* replaces Brian Wood who resigned in April after insurance regulators temporarily suspended the company's entire sales force, insisting that proper training and testing procedures be put in place.

Windsor Life is wholly owned by the US's fourth largest insurance company, New York Life, which has been running the company since Brian Wood's departure. Wybrew was instrumental in Windsor Life's rapid expansion during the 1980s – an expansion which presumably led to its acquisition by New York Life in the first place.

■ Tony Latham and Peter Webster have been appointed directors of SUN ALLIANCE Insurance International. Ian Trotter is promoted to md of Sun Alliance Investment Management; John Kent becomes deputy md.

■ Philipp Ruperti is appointed md and general manager of GREAT LAKES REINSURANCE (UK) on the retirement of Stuart Claydon.

■ Paul Upton has been appointed a director of CLAREMOUNT UNDERWRITING AGENCY.

■ Alan Thurlow has been appointed financial director of EDGAR HAMILTON.

■ The shakeout among the higher echelons of Britain's troubled construction *companies continues with the* news that Jack Mawdsley, chief executive of Tarmac's large quarry products division is to quit the group at the end of this year.

The company's statement says Mawdsley, who is 53, is leaving to "pursue personal interests" which had been "sadly neglected" during his 22 years at the Midlands-based construction and building materials group.

One of the reasons behind Mawdsley's departure, however, may have been *disagreements over policy* decisions taken by Sir Eric Pountain who gave up day-to-day running of the company in February when he stood down as Tarmac's *chief executive. Sir Eric* remains chairman.

In particular, Mawdsley opposed the continued high level of *investment made in* housebuilding while other divisions including his own have had their spending curtailed. He is understood to have been frustrated by Sir Eric's reluctance to expand the quarry products division in continental Europe.

His decision to retire at the end of this year is understood to have been taken before Sir Eric announced that he was standing down as chief executive in favour of Neville Simms.

■ Bob Peddle has been appointed executive deputy chairman of POLYMETERS RESPONSE INTERNATIONAL.

■ Glen Swire has been appointed a director of JAMES FINLAY.

Non-executive directors

■ The Rt Hon Tom King MP, former Cabinet minister who returned to the back benches after the general election, at ELECTRA INVESTMENT TRUST.

■ Michael Borlenghi as chairman at BRITISH FITTINGS.

■ *Francis Gordon Clark is* retiring from MATTHEW CLARK.

■ Sir John Cuckney, chairman of Royal Insurance Holdings, also chairman of ROYAL GLOBAL.

■ John Ashton, chairman of Caird Group, at SHERWOOD GROUP.

■ Colin Sanders and Marlene Sanders have retired from GREENACRE.

■ Peter Ainsworth MP, formerly director of corporate finance at Warburg Securities, at JLI GROUP; Warburg is JLI's broker.

■ Sir Christopher Benson as deputy chairman of SUN ALLIANCE in place of Sir Derrick Holden-Brown who has retired.

■ Professor Sir Richard Southwood, vice-chairman of Oxford University and chairman of the National Radiological Protection Board, at GLAXO HOLDINGS.

■ *Richard Shaw*, group development executive of The Hartstone Group, and Robert Shepherd, deputy chairman of Pentland, at CUPID.

■ Sir Idris Pearce (below left), chairman of English Estates, Michael Beesley, emeritus professor at London Business School, and Arnold Shipp, executive director of Samuel Montagu, at ITC.

■ Michael Bentley (below right), formerly deputy chairman and chief executive of Electra Investment Trust, at CELLTECH.

Anti-noise devices drown out competition

Looking for the quiet life? The din of the diesel engine and the whine of the air conditioning fan can now be silenced electronically using "noise cancellation" technology that is rapidly finding a broad range of commercial applications.

Electronic or "active" noise cancellation systems analyse undesirable, low frequency noises in a chosen environment. The noise reduction system produces an equal but opposite wave, called "anti-noise", which cancels out or reduces the unwanted sound. The concept of "anti-noise" was discovered in the 1930s, but commercial use had to await the microprocessor and cheap computing power used to analyse sound.

The first commercial applications of the technology are in industrial settings. NCT Muffler of Stamford, Connecticut, a subsidiary of Noise Cancellation Technologies, this week took its first order, for 50 electronic silencers, which electronically silence noise from blowers, vacuum pumps, compressors and other internal combustion engines. An added benefit of the noise cancellation systems is that they also make the equipment more fuel efficient and improve worker safety.

The first of NCT Muffler's silencer systems have been installed in a wire manufacturing plant that uses industrial vacuum pumps to unload bulk product from railway cars.

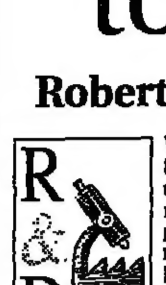
Noise cancellation may find a much broader market in the vehicle industry, where it can be used to quieten car engines – to the benefit of those outside and inside the vehicle. Noisy buses, trucks, farm equipment and generators are also potentially important applications. NCT General Systems, another subsidiary, is working on noise reduction systems for fans used in household appliances.

The most appealing applications of this technology are being pursued by NCT Personal Quieting. These include personal headsets that block out offensive noise without affecting a person's ability to hear speech, warning signals or music. Unfortunately beyond the scope of this technology, it seems, is the ability to selectively block some voices while leaving others audible.

Louise Kehoe

Japanese electronics forced to clip its research wings

Robert Thomson on the metamorphosis caused by a collapse of demand



Western perceptions of Japanese electronics companies' approach to product development tend to be heavily influenced by the success story of the Sony Walkman, and the claims of Akio Morita, Sony chairman, that "any amount of market research" could not have measured the worth of his winning ideas.

Tales of product-driven successes were all the more convincing when Japanese developers appeared to churn out an endless array of winning products.

Now the downturn in the international electronics market and the increasing cost of capital in Japan have forced companies to reassess the importance of market research in focusing their R&D.

A sobering trend has been the collapse of domestic demand for audio-visual equipment; a market which had been a prime target for researchers competing to develop "new" products that were actually minor variations on an older theme, whether it be large-screen televisions or a video-cassette recorder with an extra knob or two.

Japanese consumers' apparent willingness to toss out hardly-used items and embrace these "new products" helped to convince companies that the market would do them no wrong.

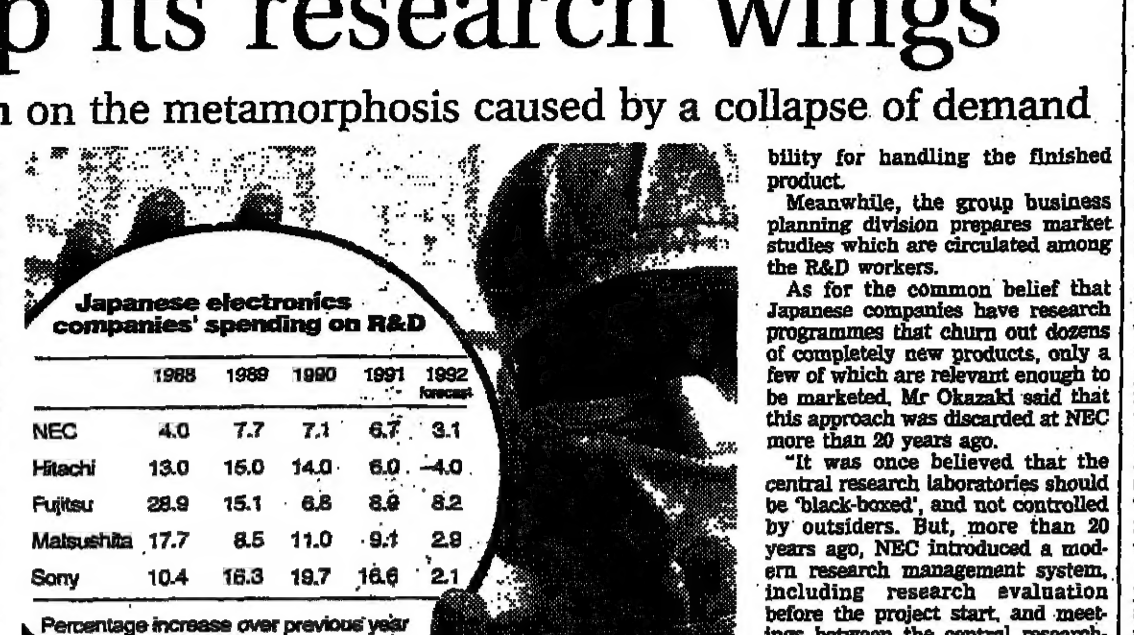
Unfortunately, products have continued to surface, while audio-visual sales have been in decline for two years, leaving electronics companies with painful bruises.

Matsushita Electric Industrial's pre-tax profits were down 39 per cent in the year to end March and Sony's were 44 per cent lower.

Companies have reviewed the development process and concluded that life-cycles are too short and product ranges too wide, as even the domestic market is reluctant to absorb new products.

At the same time, R&D budgets are under pressure from the turbulence in Japanese financial markets, which is also encouraging companies to be more focused about research.

Investment in R&D is an important source of corporate pride in Japan, as it is generally taken as a measure of long-term strength. This year, however, budgets are generally flat or falling, while some image-conscious companies which claim to be increasing R&D are simply shifting other business expenses into that budget.



Japanese electronics companies' spending on R&D

	1988	1989	1990	1991	1992 forecast
NEC	4.0	7.7	7.1	6.7	3.1
Hitachi	13.0	15.0	14.0	6.0	-4.0
Fujitsu	28.9	15.1	6.8	8.9	8.2
Matsushita	17.7	8.5	11.0	9.1	2.9
Sony	10.4	16.3	19.7	16.6	2.1

Percentage increase over previous year

Source: company reports

At Hitachi, which makes consumer, office and industrial electrical goods, R&D spending is forecast to fall by 4 per cent this year, after a 6 per cent increase last year, and rises of 14 per cent, 15 per cent and 13 per cent in the three previous years.

The sharp increases coincided with the surge of the Tokyo stock market in the late 1980s, when new funds were easily raised.

The company said that the role of market research differs depending on product type. For heavy machinery under development, perhaps in co-operation with the Ministry of International Trade and Industry (Miti) and other equipment makers, the lead time may be ten years or more and the company may agree to participate in a project on the understanding that there will be public sector demand.

"For consumer products, our lead time can be almost nothing. We would like to increase the life cycle of products because we can see that there has been some change in consumer demand and that would reduce our R&D costs," the company said.

Instead of wasting development funds on a minor upgrading of an existing model in an already overcrowded market, Hitachi and others are trying to find better uses for their money.

One change at Hitachi is that control over R&D is shifting from individual facilities, which had been seen as "profit centres", to administrative divisions with broader access to market research: "These divisions are closer to the market and our company is moving closer to the market," the company said.

Last year, NEC, the electronics maker, introduced changes in its R&D policies based on what it calls the "Customer Satisfaction Concept".

Mr Hiroshi Okazaki, manager of the engineering control division, points out that "the most important thing is that every R&D person has a marketing mind".

R&D, he says, is kept relevant to the market by regularly bringing together researchers on a particular project and representatives from divisions that would have responsibility for handling the finished product.

Meanwhile, the group business planning division prepares market studies which are circulated among the R&D workers.

As for the common belief that Japanese companies have research programmes that churn out dozens of completely new products, only a few of which are relevant enough to be marketed, Mr Okazaki said that this approach was discarded at NEC more than 20 years ago.

"It was once believed that the central research laboratories should be 'black-boxed', and not controlled by outsiders. But, more than 20 years ago, NEC introduced a modern research management system, including research evaluation before the project start, and meetings between the central researchers and operational divisions," Mr Okazaki said.

Making minor changes to existing models, and then releasing "new" models in rapid succession on the domestic market, is a more recent trend, quite distinct from the researching of genuinely new products.

Companies have had to release slightly improved models less frequently, and they have simultaneously had to pay more attention to the selection of new development projects.

Fujitsu, the computer company, aims to spend the equivalent of about 10 per cent of total sales on R&D, but admits that its manufacture of semiconductors and various other high-tech products requiring huge investments during development has put the R&D budget under pressure.

"As technology further advances and information and communication systems spread into more versatile areas, R&D activities to realise these technologies require more and more investment. Therefore we have to be more selective and set priorities," Fujitsu said.

Fujitsu is not the only Japanese electronics company forced to be more selective.

Proud as they are of big R&D budgets, the Japanese makers are under extreme pressure to get value for money by choosing winning research and by curbing an enthusiasm for "developing" products that the market does not want.

Ceasefire a vain hope in PC war

By Louise Kehoe

This is a great time for personal computer bargain hunters. Almost every day, it seems, another PC manufacturer slashes its prices. During the past month, the cost of many popular models has fallen by as much as 30 per cent.

What is behind these price cuts and how much longer can the turmoil in the PC market continue? Theories on what ignited the PC "price war" abound. Compaq Computer's recent launch of a new range of low-cost products has been widely cited as the first volley. In the UK, International Business Machines' move to establish a subsidiary to sell industry standard "clones" under the Ambra brand name is also likely to place downward pressure on prices.

Yet the root causes of the PC price battle lie with the proliferation of Asian-built PC "clones" and radical changes in the distribution channels that deliver PC products to end users. The onslaught of Asian competition in the PC market has long been anticipated by US and European manufacturers, but it only materialised on a large scale recently.

That was because the primary distribution channels for PCs were controlled by established manufacturers. PCs were sold either directly to the end user by a computer manufacturers' sales force, or through third party "dealers" who were given strong incentives in the form of discounts and advertising support to remain loyal to established suppliers.

Enter the computer "superstore". Selling PC's like cornflakes, or any other "commodity" product, superstores advertise "special discounts", bundle hardware and software, and place brand name computers alongside their own "generic" lower-priced products bought in bulk from unheard-of and mostly Asian manufacturers. Along with "direct" selling, by telephone or mail order, superstores have fractured traditional PC sales channels, providing new entrants with an opportunity to penetrate the market.

Former market leaders now face competition from a raft of Asian clone manufacturers, as well as from ambitious US and European companies. Lacking well recognised brand names, these new entrants have chosen to compete on price, drastically undercutting the "big name" PC makers.

Hyundai, of Korea, last month slashed prices of its US PC products by 40 per cent and began an aggressive telemarketing campaign.

Dell Computer, a pioneer of direct marketing whose success during the past two years has demonstrated the importance of new distribution channels, has this week announced deep discounts and in the US will offer a new range of cheaper PCs aimed at the "price sensitive" segment of the market.

IBM, Compaq Computer and other long-time market leaders are being forced to respond. Yet even as they do so, cheap clones are getting cheaper. Ironically, the companies that for so long dominated the dealer channel are now facing the challenge of adapting to selling through superstores and mail order, following in the footsteps of their upstart competitors.

In this turmoil, the customer is the winner. Sales volumes are soaring in the US and picking up in Europe, according to industry executives, but few are celebrating the market revival, which has been accompanied by a sharp reduction in profit margins and mounting concern about cost cutting.

One consolation for US and European manufacturers is that it is difficult for their aggressive competitors to maintain a cost advantage. Automation has reduced the labour costs of PC manufacturing. Today it costs little more to build PCs in Scotland or Silicon Valley than it does in Singapore or Taiwan.

The price cutting cannot go on for ever, although industry executives expect the trend to continue for several more months. Ultimately, the PC must cost slightly more than the sum of the components it contains, but this too is a moving target. Prices of microprocessor chips, the "brains" of a PC, are tumbling as Intel, the leading supplier, fights off a band of new competitors who are offering their own versions of the Intel chips.

New technology will ultimately halt the PC price slide. Multimedia capabilities including video and sound, as well as improved communications, are going to make today's cheap PCs look like yesterday's left-overs. Buyers will be drawn to consider the features, rather than merely the price, of a personal computer. That, at least, is what the PC industry is hoping.

MANAGEMENT: MARKETING AND ADVERTISING

Karen Zagor looks at a multi-million dollar promotion

Batman returns with a vengeance

Batman Returns opened two weeks ago to mixed reviews and the best box office returns in Hollywood's history. Warner Bros, the Hollywood arm of Time Warner, may not have been able to control the critics, but the studio has carefully orchestrated the marketing of the movie and related merchandise in the hope of producing yet another money-making machine.

The scope for Bat-products seems limitless. There are hundreds of licensed goods including T-shirts, Batman tortilla chips and cereal, radio-controlled Batmobiles, talking Batman toothbrushes and, reportedly, a leather Catwoman chair.

The studio hopes to repeat the money-making performance of the first Batman film which brought in \$251m in US ticket sales and about \$500m in related product sales. Merchandise was even more lucrative overseas, garnering about \$800m in sales compared with a more paltry \$140m box office take.

By all accounts, the phenomenal success of the first Batman movie, which set box office records in 1989, caught Warner unprepared. The hype started months before the movie opened and by the time of the first public screening, Batman T-shirts could be found on the streets of every American city and fashionable New York teenagers sported hairdos featuring the Bat-logo. An estimated \$200m worth of merchandise was sold before opening night.

"We gave a licence to anyone with a bolt of black cloth," Dan Romanelli, president of Warner's merchandise arm, is fond of saying when describing how the company ended up with about 19 T-shirt licensees for the first film.

This time, the Batman merchandising machine kicked into action years in advance. Master T-shirt licences were granted in 1991 to only two companies – Shirt Shed and Signal Apparel. The licences extend for two years beyond the movie's release. Kenner has a master licence for toys for the second movie, with exclusive rights to make most of the toys associated with the sequel, such as Catwoman and the Penguin. Warner will not reveal how much it reaps from licensing, but studios generally get about 10 per cent of the gross sales.

Warner also started discussing links with hotels, soft drink manufacturers and fast food chains well in advance. MacDonald's, Coca-Cola and Choice Hotels came on board, adding more than \$50m to Warner's coffers and providing essentially free publicity for the film through their ad campaigns. Warner is expected to spend about \$20m on its own advertising.

MacDonald's, whose history of movie tie-ins includes Hook and The Little Mermaid, has revamped its packaging to fit in with the Batman theme to an unprecedented degree. There are Batman french fry bags and MacDonald's soft drink cups come with Bat-disc lids that double as flying discs. "With the movie trailers, the toys and the theme parks, it's amazing how well marketed it is," said one industry executive. "Everyone knows about Batman."

Warner also took a different approach to the movie's publicity this time, waiting until last month before unleashing the trailers and ads for Batman Returns. "There was a definite design to this programme," said an industry executive. "Everything came down the pipe very close to release."

There is method in Warner's delay. The studio is launching an animated Batman television cartoon series in September and hopes to keep the movie's momentum going until then. There will, of course, be more merchandise linked to the cartoon characters.

With this in mind, Warner has been trying to avoid Batman overkill in an attempt to keep consumer interest alive through to the important Christmas retail season. "Movies have roughly a six-month window of opportunity before people move on to the next thing," said one industry source.

Warner may be keeping a tighter rein on Batman marketing, but the studio still has to contend with the problem of counterfeiters. The studio estimates that in addition to the 20m licensed T-shirts sold last time, counterfeiters sold another 10m. This time, Warner has taken a tip from the credit card industry and issued Batman hologram labels to mark the genuine Bat-articles.

The company, which filed hundreds of copyright infringement suits for the first film, has also hired law firms around the country to stamp down on counterfeiters. In New York, it is employing Dennis Cavanaugh, a former CIA officer and now a lawyer at Selverne & Flam, to co-ordinate a team of part-time investigators who prowl the streets for fakes.

In spite of the safeguards, Warner is bound to lose money to counterfeiters. Nor is there any guarantee that Batman Returns will bring in the same returns as the first film. Ticket sales, while extremely strong, started to trail in the second weekend.

Lisbeth Barron, an analyst at S.G. Warburg in New York, expects Batman Returns to have US box office sales of about \$195m and another \$125m abroad. Warner is expected to receive about 53 per cent of the box office gross. She also expects merchandise sales to be lower than the original. "The novelty effect is not there for this one, although the characterisations are as interesting as the first time round."

However, with total film production and marketing costs at about \$80m, Warner should easily be in the black on the US release.

Space invaders brought back down to earth

Gary Mead reports on French media buying

The murky world of media-buying in France received a jolt on June 16 when the French newspaper La Tribune leaked details of a draft report by the Conseil de la concurrence, the government agency equivalent to the UK's Monopolies and Mergers Commission which investigates commercial monopolistic abuses.

The Conseil has been investigating many aspects of the French advertising market for the past two years.

The result has now been circulated to as many as 70 advertising networks, media-buyers and media owners, all of whom have been asked to comment within the next two months. The Conseil then intends holding hearings with companies concerned early in 1993.

What will follow is open to question. Many working in the advertising world both in the UK and France believe that the Conseil will eventually rule against a number of practices now operating in the French advertising market, estimated to be worth \$8bn (£4.3bn) annually.

The central complaint by the Conseil is the utter lack of transparency in the French media-buying business.

It is common knowledge that companies involved in media-buying purchase large volumes of display advertising space in print, radio and television and in return receive considerable discounts from media owners.

The sole activity of some companies such as Carat, the biggest single pan-European operator, is media-buying, while others who offer all advertising services have formed themselves into "clubs" for media-buying activities.

The discounts – which may vary between 20 per cent and 50 per cent, depending both on the volume bought and how far in advance of publication or broadcast date – are rarely passed on to the advertiser.

But even that is speculative, since those who know the scale of the discounting – media-buyers and media owners – refuse to disclose it, usually on the grounds of commercial confidence. The Conseil appears to be arguing that far from being a necessary trade secret, non-disclosure is unfair.

The Conseil has also ruled that, until it has drawn up a final report in 1993, those involved in the media-buying market are forbidden to comment on the matter.

However, that does not prevent everyone involved from engaging in furious conversations whenever possible.

According to the head of one leading international advertising network with considerable interests in France, the Conseil's draft report has already been misunderstood as an attack on the supposed monopolistic position of some media-buyers.

"That is untrue. There are no anti-trust problems because no single media-buyer has anything like 25 per cent of the market. Even Carat hopes to achieve only 12 per cent this year, he said.

"It's more an issue of malpractice, particularly the issue of double-billing – you get one bill from TF1 showing you have paid 80 per cent of the advertising rate and you show your client a bill saying you have paid 100 per cent. It's disgraceful, but everyone does it because not to would mean being less competitive. I am convinced that such practices will not be around in three years' time."

Simeon Galpert, finance director of The Birkdale Group, the UK marketing services agency, believes the problem is more complex, since it is unclear what the media-buying business actually is.

"If you go to a French magazine and buy 5,000 advertising pages for the next year, naturally you get a big discount, since you are taking a risk that, a year from now, you will not have sold all those pages.

"A 20 per cent discount is not big enough to be in the risk-broking business. You could say that the advertiser should be getting some of that discount but, after all, he is not the one taking the risk."

Whatever the rights and wrongs, a basic question remains. Why have advertisers not taken action to cut out the middle-man, the media-buyer? The answer is that some may be planning to do just that.

Once Procter & Gamble, Nestlé, Ford and other advertising giants latch on to the idea that there is little to stop them negotiating directly with media owners, the days of fat profits for some media-buyers may be numbered.

Perhaps that is one explanation why the letter of intent signed on February 15 by Maurice Levy, chairman of the French advertising network Publicis-FCB Europe, to join Omnicom and WPP in The Media Partnership media-buying club, and which was scheduled to be put into operation by March 31, now appears to be in suspended animation.

Cinema/Nigel Andrews

Family emotions pared to the bone

THE BEST INTENTIONS
Bille August

THE RAPTURE
Michael Tolkin

THE INNER CIRCLE
Andrei Konchalovsky

CASABLANCA
Michael Curtiz

It is Cannes Film festival delivery fortnight. A week after the film that by wide consent should have won the 1992 Golden Palm, Robert Altman's *The Player*, we welcome to Britain the film that did win the Golden Palm, Bille August's *The Best Intentions*.

In the auteurist shorthand used and abused today, we say "Altman's" and "August's" films. But *The Player* owed much of its crackle to Michael Tolkin's script from his own novel. (For more about Mr T read on in this column.) And *The Best Intentions* boasts a script by Ingmar Bergman based on the lives of his own parents. Who is to call it an August film rather than a Bergman film?

It is certainly a long film. Three hours, and even that a digest of the six-hour serial version simultaneously prepared for TV. If pressed against a wall by a man with a gun, I would say that in some respects *The Best Intentions* is not a film at all: more a *roman fleuve* in pictures about the love between a rich girl with a possessive family, played by Pernilla August – the director's wife, who won the Cannes best actress prize – and a young pastor with a blond moustache and a live-in guilt complex (Samuel Frohler).

Yet 20 minutes into this story, we scarcely care what aesthetic category we put it into. Film or mini-series, family album or novel-with-pictures, it surges majestically through the century's early years as Bergman recreates the bitter-sweet romance of his mother Anna and father Henrik. Henrik is a cold-eyed Lutheran priest, Anna a walking nervous breakdown. Between them, in snowscapes and lakelands that dazzle the eye, they create the conditions of elegiac dementia in which young Ingmar could be born.

This is a prequel to *Fanny And Alexander*. Some of the same gusty relatives tack and billow across the screen, as turbulent variations are played on the theme of family life. Anna's folk are wealth-encrusted Swedish bourgeoisie, from raspy old Papa (Max Von Sydow) who watches the distant trains from his mound of rugs by the window, to melting-eyed Mama, a pudgy former beauty who hides reserves of malice in the folds of her outward kindness. Meanwhile Henrik's Mama is a dotty old peasant woman living in the wilds and his departed father has been replaced by an invisible, implacable, incomprehensible God.

The defects of the parents are visited on the children and children's children. As Henrik and Anna quarrel in their snowbound parish, which looks as if it is a sermon's throw from the North Pole, their little son (Ingmar's older brother) is nearly murdered by the surly ragamuffin they adopt out of Christian kindness. He is a cousin to all those haunted, stark-eyed urchins who have prowled through Bergman's films from *The Seventh Seal* to *The Silence*.

Wonderfully elliptical even at its sprawling length, the film never "explains" unhappiness or inhumanity. It merely exposes it vividly, impassively, surgically on the snow-white sheet of the story's scenic operating table.

Bergman the writer has lost none of his skill at paring emotion to the bone and then beyond to the marrow. Quarrel-scenes have a lacerating force; reconciliations a melting poignancy; silences a terrifying ambiguity. If *The Best Intentions* is less than the best of Bergman as a film – less than *Hour Of The Wolf* or *Persona* or *Fanny And Alexander* – it is because August is more skilled at shaping performances than shaping screen pictures. Bergman would have let the madness of human hope and despair spill out into the lighting and camerawork. August merely records that madness in the performances, but the performances at best, especially from Mrs August, are richness enough.

★

If God is a supporting villain in *The Best Intentions*, he is the arch-villain in Michael Tolkin's *The Rapture*. The writer of *The Player* wrote and directed this electrifying fable about the evils of Christian fundamentalism. Made on a mini-budget, it is part satire, part melodrama, part visionary B-movie. One can imagine the moguls licking their lips. "She was only a switchboard operator," the advertising copyline might run, "but she found a hot line to Heaven."

Pernilla August, award winning actress in Bille August's The Best Intentions

The film's crazed primitivism is its strength. Mimi Rogers, who is fast turning into today's Barbara Stanwyck, plays the telephone employee who gives up her life as a daytime drudge and night-time debauchee – attending swinger orgies with her suavely greying boyfriend Patrick Bauchau – when God calls her "collect".

Will she pay for the call? Yes indeed. A bright light, a vision, a death; then the poignant pleadings of her little daughter. Soon Miss R is out in the desert waiting for God to snatch up her and the little one in a pre-Judgment Day "rapture." But God moves in mysterious ways, especially when He is the God of America's born-again fundamentalists. Even when Gabriel's horn sounds in the film's astonishing finale, mystical triumphalism is nowhere in sight. And the horsemen of the apocalypse pound unfeeling through the mires of human grief and disenchantment.

If I spell out more of the plot, your own astonishment will be ruined. *The Rapture* has a few first-time film-maker's faults: the over-urgent piling on of saleable ingredients (sex, drugs, sudden death), too many plonk-the-camera-down dialogue scenes. But it also has a first-time film-maker's miraculous innocence. Scenes that a veteran would claim you "could not do" are carried off here with a sublime insouciance.

The message of the film is that miracles do not happen: or not the useful, daily miracles we pray for as distinct from the global magic act we all await on Judgment Day. But this film is a miracle of its kind: a story that pierces the veil between here and the beyond with a rough magic far more powerful than the whimsical mysticism we have grown used to with *Ghost* and company.

★

The Inner Circle is set in a city where everyone speaks English with a strenuous Russian accent. It is Moscow in the 1940s, where according to writer-director Andrei Konchalovsky (*Maria's Lovers*, *Runaway Train*) a young man in the likeness of Tom Hulce served as film projectionist to a man with a walrus moustache and Oriental eye make-up called Joseph Stalin (Alexandre Zbruev).

While our hero falls under the tyrant's evil spell, his wife (Lolita Davidovich) busies herself swinging between liberal goodheartedness – she pays forbidden visits to a sickly-sentimental Jewish orphan (Bess Meyer) – and cynical despair. In the latter mode, she lends her body to Bob Hoskins, alias KGB chief Beria. They make love in his private train compartment as the rolling-stock of history rattles towards Stalin's final days.

The first film ever shot in the corridors of the KGB, let alone Beria's train compartment, *The Inner Circle* is also the umpteenth film to turn truth-based political tragedy into dial-a-cliché melodrama. Overacted by almost everyone in sight and scripted for stark risibility – "F—off" says Stalin to a VIP petitioner early on and the dialogue does not improve – it comes to life only when raiding history direct. The climactic scenes of people literally trampled to death in the crowds jostling towards Uncle Joe's coffin shows the grim punishment that awaits a nation that misjudges its leader during his life and turns misjudgment into deification after his death.

★

Casablanca is 50 years old and has also undergone deification. But no misjudgment here: the film is still a classic. Re-opening in a new 35-mm print, it reanimates Bogart, Bergman and company and sets them dancing through Rick's Cafe Americain as the dialogue crackles, the romance revs and Dooley Wilson at the piano keeps telling us we must remember this. Who on earth could forget?

Opera/Andrew Clements

The Trojans

Launching brand new productions of both *The Ring* and *The Trojans* within a single season suggests estimable resources and high ambition. The Théâtre de la Monnaie has done just that: Herbert Wernicke's much praised staging of *The Ring* last autumn celebrated the end of Gérard Mortier's reign as the house's director, and now the Berlioz has arrived as the first major project of Bernard Foccroulle's stewardship.

Evidently keen to establish his post-modern credentials right from the start, Foccroulle gave the German producer Peter Mussbach responsibility for the production; Sylvain Cambreling, the house's musical director, is the conductor. Mussbach's stature continues to grow in Europe; next year he becomes chief producer at the Frankfurt Opera, when Cambreling becomes its director. My own encounters with his operatic work had broken just about even before this – an imaginative, visually arresting realisation of Wolfgang Rihm's new opers in Hamburg last January set off against the absurd version of *Idomeneo* he made for Amsterdam a year ago – but the new *Troyens* very definitely left the account on the debit side.

While Mussbach does conjure up some passages of keen visual inspiration, they are invariably beside the dramatic point; there is little illumination or even a suggestion that the production has got to grips with the substance of the work itself. The sets by Lucio Fanti are dominated by by blood-red pillars which infiltrate every scene; Joachim Herzog's costumes – grey overalls and mob caps for the chorus in the Trojan scenes, the same in orange for Carthage, while the principals wear a timeless mixture of finery – are uninspired.

If the production has a thesis at all, it appears intent on depersonalising the opera, switching the focus from the protagonists to the Trojan and Carthaginian peoples in turn. So in the first part Cassandre, Chorèbe and the rest are swallowed up by the chorus, and their own personal problems subsumed into those of the masses, while in the second Didon and Enée are just one more lovesick couple in a people devastated by the same sickness. That Berlioz's music consistently tells us otherwise is a difficulty this concept never quite overcomes.

There's also a determination also avoid anything that might seem like an operatic set piece – the chorus admire a Trojan horse standing somewhere in the wings, the Royal Hunt and Storm offers some vaguely suggestive liaisons, and the ballet is illustrated by desultory cross-stage traffic. The chorus spends much of the first half of the opera writhing on the ground and the rest of the time upstaging the principals.

Cambreling's conducting was brisk and unfussy, but the orchestral playing was never quite clean and precise enough to make the musical account as invigorating as it should have been, but the singing of the female roles in particular saved the day. The casting of the Cassandre (Francoise Pollet) and Didon (Kathryn Harries) was as good as one has any right to expect, though Harries was far better served by the production than Pollet. This Cassandre has to make her vocal presence felt largely from up stage, and frequently with the massed chorus teeming in front of her. She is not the most compelling stage presence, but her diction is wonderfully clear.

Harries was allowed a good deal more space and her movement and gesture delineated the presence still further. Her mastery of this role continues to deepen; it has developed even beyond the level of her performances for Scottish Opera in 1990. There is now a weight of expression in every single phrase, a sense of each element in the portrayal fitted perfectly into place. That she was able to make her singing so affecting in these inhospitable dramatic circumstances was sufficient tribute in itself, and she was supported too by an excellent rich-toned Anna from Elzbieta Ardam.

The male characters were not realised with anything like the same intensity. Ronald Hamilton's Enée was short of stature and in his phrasing; both William Stone's Chorèbe and Reinhard Hagen's Narbal were out of focus, though there was an interestingly misanthropic Iopas from Barry Banks. The chorus, of whom so much is expected in this production, was efficient if not sonorous, and on its own was never likely to provide the sense of epic so lacking elsewhere.

Elzbieta Ardam and Kathryn Harries

Theatre/Malcolm Rutherford

All's Well that Ends Well

The only common view about *All's Well that Ends Well* is that it is not Shakespeare's best play. It lacks both a central character and an identifiable central theme and although it cannot be categorised as anything other than a comedy, it is not very funny.

Having some fondness for the piece, my own view has been that the best way to approach it is to play up the part of Helena, the woman who cures the King of France of his near-fatal illness, and is allowed to pick the husband of her choice (Bertram) as a reward only to find that he rejects her and goes off to the wars. She catches up with him in the end by conceiving his child while he thinks he is in bed with another woman.

That is emphatically not the view of Sir Peter Hall, making a return to the Royal Shakespeare Company after an absence of 20 years. Hall's approach is to play the piece slowly, even ponderously, warts and all, just in case we miss anything. At the end of the first half, I thought that he was overdoing the literalness at the expense of enjoyment. The second half, in which he developed an anti-war theme, is very good indeed. In the end Hall has directed *All's Well* at the Swan Theatre in the way that it appears to have been written: an imperfect, puzzling piece full of reminders of characters in other Shakespeare plays, but none of them developed.

Hall's central figure is Parolles, a follower of Bertram, who claims to be full of military expertise and magnificently played here by Michael Siberry. There is a touch of Malvolio in him, but also of characters from Ben Jonson. In the first half he is teased for being extravagantly over-dressed. However, there is more than a touch of Falstaff: not Falstaff the drinker of sack, but the cowardly braggart who ultimately realises the horrors of war more than his fellows. The contrasts between Siberry in his early finery and later tatters and the changes in his physical movements are breathtakingly stark.

By stressing the role of Parolles, Hall has not solved the problems of the play. The chief riddle is Bertram. It is understandable that he should object to having a wife foisted on him by the King of France, but that is no reason why he should be so grotesquely rude to her. There are elements of Coriolanus in him, even down to having a similar kind of mother.

Bertram is an impossible part to play convincingly and it is a tribute to Toby Stephens (as it is to Hall's direction) that he gets better as the play goes on. As his mother, Barbara Jefford is impeccable throughout, but the text doe not give her the opportunities of a Roman matron.

Richard Johnson's King looks strikingly sick at the start, but becomes a dominant figure towards the end. And if you want an example of how to play a small part to perfection, watch Andrée Evans as the widow who helps to arrange the bed-trick on which the plot turns.

Helena is played by Sophie Thompson. She comes out as a mousy-looking woman, whom one can well understand Bertram wishing to avoid. It would add to the magic of the play if she were allowed to be one of Shakespeare's most vivacious heroines, making Bertram's rejection of her more inexplicable and therefore more interesting. After all, she is an intelligent and inventive woman. Why can't she be attractive as well?

Jazz/Garry Booth

Tuck and Patti

I was determined not to enjoy husband and wife team Tuck and Patti from the moment I saw them likened to Wes Montgomery and Sarah Vaughan *and* Fred and Ginger on London's bill boards. When the compere warned us that we were about to experience an evening of love and togetherness I almost bolted for the door. But, shucks, after 14 years of togetherness and 11 years marriage, the cuddly couple really have found an irresistible way of spreading connubial bliss.

Tuck Andress, a 1970s throwback in large white suit, permed hair and gormless expression, plucks adeptly at a large semi-acoustic guitar while the missus, Patti Cathcart, a contralto cross between Joni Mitchell and Chaka Khan, does likewise with the heartstrings. "Love relates both night and day, doesn't matter where you are," she boomed generously to Horace Silver's "Togetherness" tune.

They make an extraordinarily relaxed pair. Their molasses-laden material – which ranges from "The black mining hills of Dakota" to Cyndi Lauper's "Time after time" – washed pleasantly over us. Patti being both reassuring and comfortably raunchy in her vocal acrobatics. "People tell me I don't sing the blues," she complained to squeals of approval, "Well ah do ever time ah wear these shoes ... I got those high heeled blues." Tuck, who spends most of his time slavishly accompanying her tear-jerking cadenzas has his moment too: when Patti leaves to recharge her emotional batteries. After an overlong comic interlude, a la Rowan & Martin, the guitarist launched into a powerful percussively harmonic version of Michael Jackson's "Mirrorman," of all things.

Although black and white images of soppy Sonny and Cher are conjured up by this extraordinary double act, they have tremendous musical value. Even a cheerless number about a mute crippled girl whose wheelchair has rolled to the cliff's edge is no cause for real sadness when Patti sings it. Tuck & Patti perform good tunes, simply and with panache. If they exploit the sentimentality of the permed classes, so be it. I saw at least two better halfs being helped out in tears, so they must be doing something right.

INTERNATIONAL

ARTS GUIDE

■ AMSTERDAM

Concertgebouw 20.15 Hans Vonk conducts Rotterdam Philharmonic Orchestra in Dvořák's Cello Concerto and New World Symphony. Tomorrow: Ton Koopman conducts Amsterdam Baroque Orchestra in works by Handel, Haydn and Cimarosa. Sun: Combattimento Consort (6718 345)

■ ATHENS

ATHENS FESTIVAL
Tonight's performance in the Odeon of Herodes Atticus features the Bolshoy Ballet School in choreographies by Yuri Grigorovich. Tomorrow and Sat: Scharoun Ensemble of the Berlin Philharmonic plays chamber music by Hindemith, Schubert, Beethoven and Terzakis. Sun and Mon: Slovak Philharmonic Orchestra (322 1459)
EPIDAURUS FESTIVAL
The annual festival of ancient drama in the 14,000-seat amphitheatre at Epidaurus has performances of plays by Sophocles, Euripides and Aristophanes on most weekends in July and August. Tomorrow: Sophocles' Oedipus Tyrannus. Sun: Euripides' Alcestis. Performances begin at 21.00. Tickets are available daily at the Athens Festival box office (322 1459), or at the theatre of Epidaurus every Thurs, Fri and Sat (0753-22006)

■ FRIBOURG

The annual Festival of Sacred Music in the Swiss town of Fribourg opens tomorrow and runs till July 12. The opening concert in the Eglise du Collège Saint-Michel consists of Haydn's The Seasons, performed by the Stuttgart Chamber Choir with soloists including Nancy Argenta. The Schola Cantorum Basiliensis gives a Palestrina programme on Saturday, and John Poole conducts the Groupe Vocal de France in Sunday's concert of music by Giles Swayne, Delius, Britten, Milhaud and Messiaen. The cathedral choir of Christ Church, Oxford, sings music by Taverner, Byrd, Tallis, Palestrina and Edward Harper on Monday. Other guest artists include the Croydon Singers and the Arditti String Quartet (Office du Tourisme de Fribourg, Square des Places 1, 1700 Fribourg. Tel 37-232555)

■ LONDON

THEATRE
● English Shakespeare Company's London season runs till July 18 at Richmond Theatre, with Macbeth directed by Michael Bogdanov and starring Michael Pennington, plus Twelfth Night directed by Pennington (Richmond, 20 mins Waterloo BR or District Line, 081-940 0088).
● A new National Theatre production of Shakespeare's A Midsummer Night's Dream, directed by Robert Lepage, starts previewing tomorrow at the Olivier, Press night next Thurs. The National's repertory also includes two acclaimed productions by Declan Donellan: Lope de Vega's Fuente Ovejuna and Tony Kushner's Angels in America (071-928 2252).
● Philip Prowse's RSC production of Oscar Wilde's social comedy A Woman of No Importance stars John Carlisle as Lord Illingworth (Theatre Royal Haymarket 071-930 8800).
● Tommy Tune's award-winning musical Grand Hotel opens on Mon for a limited run at the renovated Dominion Theatre (071-413 1411).
● For ticket information about all West End shows, phone Theatreline from anywhere in the UK: Plays 0836 430959 Musicals 0836 430960 Comedies 0836 430961 Thrillers 0836 430962

MUSIC AND DANCE
Coliseum 19.30 Ballet of the Deutsche Oper, Berlin, in choreographies by Béjart, Christopher Bruce and Bill T Jones, also tomorrow. Sat: Peter Schaufuss' production of Giselle. Next week: Australian Ballet (071-836 3161)
Barbican 19.45 Colin Davis conducts the LSO in works by Stravinsky, Beethoven and Berlioz, with Yuri Bashmet viola soloist. Sat: Joshua Rifkin plays Scott Joplin. Sun: Willard White and Cynthia Haymon sing excerpts from Porgy and Bess (071-638 8891)
Royal Festival Hall 19.30 James Blair conducts YMSO and choirs in Schoenberg's Gurrelieder. Sat: Lorraine McAslan plays Bruch's Violin Concerto (071-928 8800)
Queen Elizabeth Hall 20.00 Opera North production of Robert Saxton's Caritas. Sat: Chelsea Opera Group concert performance of Manon Lescaut. Sun afternoon: Nash Ensemble plays Schubert (071-928 8800)
Covent Garden 19.30 Don Pasquale. Tomorrow: Cheryl Studer recital. Sat: Carlo Rizzi conducts first night of John Cox's new production of Il viaggio a Reims, with Montserrat Caballé. Sun: English Bach Festival production of Gluck's Iphigènie en Tauride (071-240 1066)

■ MONTREUX

The 1992 jazz festival opens with two acoustic concerts tonight and tomorrow featuring Joe Cocker, Was Not Was and Annie Lennox.
Saturday is Western Beat night with Emmylou Harris and the Nash Ramblers.
Sunday is Tropical Night with Mario Bauza's Afro-Cuban Orchestra, Rita Lee and Simone.
Other guests at the festival, running till July 18, include Eric Clapton, Gladys Knight, Ringo Starr's All-Starr Band, Herbie Hancock and Wayner Shorter (21-963 8282)

■ PARIS

MUSIC AND DANCE
Opéra Comique 19.30 Maurizio Barbacini conducts Michael Hampe's Cologne production of two Rossini one-act comic operas: La cambiale di Matrimonio and Il signor Bruschino. Runs till July 12, next performance on Sat (4286 8883). Tomorrow and Sun in Palais Garnier: Il barbiere di Siviglia (4017 3535)
Châtelet 19.30 John Eliot Gardiner conducts Cosi fan tutte. Final performance on Sun (4028 2840)
Théâtre de la Ville 20.30 Tanztheater Wuppertal in Pina Bausch's latest dance creation. Also tomorrow and Sat (4274 2277)

THEATRE
● Bal Masqué: Mikhail Lermontov's drama tells the tragedy of a man who murders the wife he adores because he suspects her of infidelity. Directed by Anatoli Vasiliev. In repertory with plays by Beaumarchais and Molière (Comedie Française 4015 0015).
● A Slight Ache: Harold Pinter's 1959 play directed by Frédéric Fuster (Théâtre de la Main-d'or Belle de Mai 4805 6789).
● Adieu monsieur Chekhov: Céline Monsarrat's play about the playwright's final years (Lucernaire Forum, Centre national d'art et d'essai 4544 5734).
● A 24-hour recorded telephone guide to Paris entertainments is available in English by dialling 4720 8898

■ STOCKHOLM

Arnold Ostman conducts a programme of symphonic music by Haydn at Drottningholm at 20.00 on Saturday and Sunday. The next operatic event at the Court Theatre takes place on July 18, when Ostman conducts the first night of Gilbert Blin's new production of Gluck's Orfeo ed Euridice, in the version written for Parma in 1769 (660 8225)

■ TANGLEWOOD

The Boston Symphony Orchestra's summer home hosts its first orchestral event of the season tomorrow evening, when Seiji Ozawa conducts Dvorak's New World Symphony and Anne Sophie Mutter makes her Tanglewood debut in Mozart's Fifth Violin Concerto.
The annual Independence Day celebration on Sat takes the form of a concert by Arlo Guthrie and Judy Collins, followed by a fireworks display. Sun: Roger Norrington conducts a programme of Berlioz and Walton, with Midori playing Bruch's Scottish Fantasy. Tonight's chamber music concert is by the Beaux Arts Trio. Next Fri: Jessye Norman sings Richard Strauss. July 14-19: Beethoven week (413-637 1940)

European Cable and Satellite Business TV

(all times CET)

MONDAY TO FRIDAY
CNN
2000-2030, 2300-2330 World Business Today – a joint FT/CNN production with Grant Perry and Colin Chapman

Super Channel
0830-0900 (Mon) FT East Europe Report – weekly indepth analysis from FTTV
2130-2200 (Tues) Media Europe – what's new in European media business
2130-2200 (Wed) FT Business Weekly – global business report with James Bellini
0830-0900 (Thurs) Media Europe
2130-2200 (Thurs) FT Eastern Europe Report
0830-0900 (Fri) FT Business Weekly

Sky News
0130-0200 (Mon) 2130-2200 (Thurs), 0530-0600 (Fri) FT Business Weekly

SATURDAY
CNN
0900-0930 World Business This Week - a joint FT/CNN production
1900-1930 World Business This Week

Super Channel
1930-2000 FT Eastern Europe Report

SUNDAY
CNN
1030-1100, 1800-1830 World Business This Week

Super Channel
1800-1830 FT Business Weekly

Sky News
1330-1400, 2030-2100 FT Business Weekly

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Thursday July 2 1992

Credibility test for Bonn

WHEN GERMANY was reunited in October 1990, its friends and allies hoped that Europe's pivotal nation would meet its new challenges and responsibilities in a way which would maintain its credibility as a reliable partner of the west. That credibility has now been sorely strained by the decision, confirmed by the Bonn cabinet yesterday, not to go ahead with production of the European Fighter Aircraft (EFA) developed at a cost of £8bn with Britain, Italy and Spain.

The Bonn government is under strong pressure to take high-profile action to reduce its budget deficit. Additionally, Chancellor Helmut Kohl's administration has to show that it can successfully draw up post-unification priorities. For Bonn's political leadership, these twin aims pose a great test; beating a retreat from the EFA production hangar is, unfortunately, the wrong way to accomplish them.

On financial, industrial and strategic grounds, the decision appears to be misguided, for three reasons. The step may end up wasting more money than it saves. It risks considerable disruption and uncertainty in a highly important sector – the aerospace industry – which the German government has done its best to restructure and make competitive under the aegis of Daimler-Benz. Finally, the move fails to answer the question of how Germany will secure its air defences over the medium term in a world which, despite the ending of the Cold War, will not remain threat-free.

Cheaper aircraft

The German government has left open the possibility of negotiating with its partners on a cheaper and lighter aircraft, still to be modelled on the EFA. But there is only the slimmest of hopes that this can be accomplished on a satisfactory basis. Rather than keeping other governments, air forces and aerospace companies guessing, the Germans now have a duty to tell their EFA partners exactly how they intend to acquire their next generation of combat aircraft, and with which other countries – if any – they propose to co-operate in fulfilling that need. A continuation of Bonn's present ambiguity would provide the worst possible framework for industrial planning. It would also buttress the suspicion, already raised by Bonn's dilatoriness in areas like the Gatt talks, that indecisiveness has become an endemic part of German policy-making.

Fresh collaboration

Mr Volker Rühe, the defence minister, has indicated that other countries outside the EFA quartet might be invited to join in fresh collaboration. For political reasons, Mr Kohl would have strong motives in extending an entry card to France, which is pursuing development of its smaller Rafale fighter, designed for ground attack and naval operations rather than air defence. Certainly, if France, Germany and Britain had decided to co-operate on a new-generation combat aircraft in 1985, rather than going their separate paths, the industry would be in a better position to surmount the present problems. A German attempt to reopen aeronautic *fiançailles* across the Rhine might however have a highly debatable outcome. The French would have to abandon the already-troubled Rafale project and start again on a new aircraft – without any assurance that it would not end, like the EFA, in tears.

In reacting to the EFA imbroglio, Germany's partners must consider a range of difficult options. German withdrawal from the production phase need not totally undermine the economics of the project. But it may damage the aerospace industry's claim that the EFA is cheaper than any other comparable performance alternative – including off-the-shelf aircraft from the US. A thoroughgoing attack on costs, involving cheaper avionics and weapons systems, as well as streamlining production and assembly work, will be necessary in any event. Draconian cost cutting would indeed be needed to regain German participation, as the German aerospace industry hopes, at a later stage. The chances of tempting the Germans back into the EFA fold may be extremely slight, but they should not be completely abandoned. If, on the other hand, the *nein* turns out to be definite, Germany will have to realise that ending this particular alliance will have political as well as industrial consequences.

The UK's EC presidency

WHAT CAN reasonably be expected of the UK presidency of the European Community? One thing at least can be hoped for: that the UK should start from sensible priorities. It should, this once, let internal developments largely take their course, and concentrate instead on the EC's external obligations.

This is not to deny that the internal agenda of the EC is a substantial one. On it, for example, can be found completion of the single market, the "Delors II" proposals for an increase of one third in EC revenues by 1997, ratification of the Maastricht treaty and enlargement.

Among these items, the UK presidency should focus on completion of the single market programme, which will probably contribute more to the welfare of the ordinary European than everything else on the table.

If the UK is as committed as it claims to the ratification of the Maastricht treaty, it will also have to accept an increased EC budget. The need for budgetary discipline remains. But it would be foolish to allow everything to be halted over whether the EC spends 1.37 per cent of its forecast gross domestic product by 1997 rather than only 1.2 per cent.

Ratification of the Treaty on European Union is now in the hands of the French voters. Only when the treaty has jumped this and the other national hurdles, will it be possible to go back to the Danes. For the moment all the EC can do is wait and hope.

The British government's proposed bait to the Danes is an elaboration of the concept of "subsidiarity". This is to be convincing enough to change the Danish vote, but not so convincing that it amounts to a renegotiation of the treaty.

Intellectual jellyfish

This looks a hopeless quest, not merely procedurally. The relevant article of the treaty states that: "In areas which do not fall within its exclusive competence, the Community shall take action, in accordance with the principle of subsidiarity, only if and in so far as the objectives of the proposed actions cannot be sufficiently achieved by the member states and can, therefore, by reason of the scale or effects of the proposed action be better achieved by the Community." How can backbone be inserted into this intellectual jellyfish?

The UK would argue that interference in working hours is a violation of subsidiarity. Others claim that it is the EC's crusade against state aids which must be moderated. The meaning of subsidiarity depends, therefore, on what people think can be "better achieved" by the EC. The notion cannot determine what the EC would, in fact, achieve better.

Further centralisation

Little less hopeless is the UK's zeal for an immediate start on enlargement. It cannot be broached until it is clear what the new members are to join. Nor can one ignore the difficulty – adumbrated by the Commission before the Danish "no" – that the EC, already unwieldy, would become unmanageable once it has a host of additional members. Further centralisation of power would probably be inevitable, at least if the EC is not to turn into the free trade area that the UK's partners have rejected for a generation.

Once one has eliminated the impossible, one must concentrate on what is left, however improbable. The EC represents a quarter of the world economy; it is the world's biggest trading power and by far the most important economic partner for eastern Europe and the former Soviet Union. Here are challenges that will not wait, challenges that will figure on the agenda of the summit of the group of seven industrial countries in Munich next week.

Here also is where leadership is needed. Mr Major did not have much success as chairman of the last G7 summit. Perhaps he can do better as president of the EC. It is difficult to accept that infinitesimal differences over farm policy should still block a deal with the US over the Uruguay Round of multilateral trade negotiations. It is depressing that the need to open markets to the products of eastern Europe and the former Soviet Union should still be evaded. The world needs EC leadership now. If the UK cannot provide such leadership, what good are its pretensions to a global vision?

Recession and high capital costs are curbing the expansion of Japan's car manufacturers, writes **Steven Butler**

Farewell to life in the fast lane

For many years car manufacturers in the west have waited impatiently for the aggressive international expansion of Japan's automobile industry to lose its cutting edge. The time may finally be coming.

Japan's carmakers are deep in a recession which is likely to leave lasting scars. Increasingly, industry leaders believe the downturn has brought to a close an era of rapid expansion, and will mark the advent of a more mature industry.

"The Japanese automobile industry is at a turning point," says Mr Yutaka Kume, chairman of Nissan Motor and, as chairman of the Japan Automobile Manufacturers Association, the industry's leading spokesman. "We have to adopt new policies and strategies. We should not depend on numbers, on the quantity of production for profitability."

Mr Kume believes that Nissan and the other Japanese carmakers need to wean themselves off ingrained habits, which mean that companies have narrowly pursued sales and bigger market share, often at the expense of short-term financial gain. With profits now falling sharply and prospects for growth waning, the Japanese industry is being forced to pay more attention to immediate financial returns.

The full impact of this change in outlook remains to be seen. But already this year Nissan has pulled out of marginal markets in Australia and Peru by closing assembly plants. Toyota Motor, Japan's biggest manufacturer with 41 per cent of the domestic market, is cutting costs by reducing optional extra equipment on new cars. Industry executives say Toyota is planning to reduce the number of models it offers, in particular in low-volume niche market segments.

Toyota this year raised average prices in the US, in spite of the recession, by $432 a vehicle. The price of its top-of-the-line Lexus, for example, was lifted by 5 per cent, or $2,100 (£1,130).

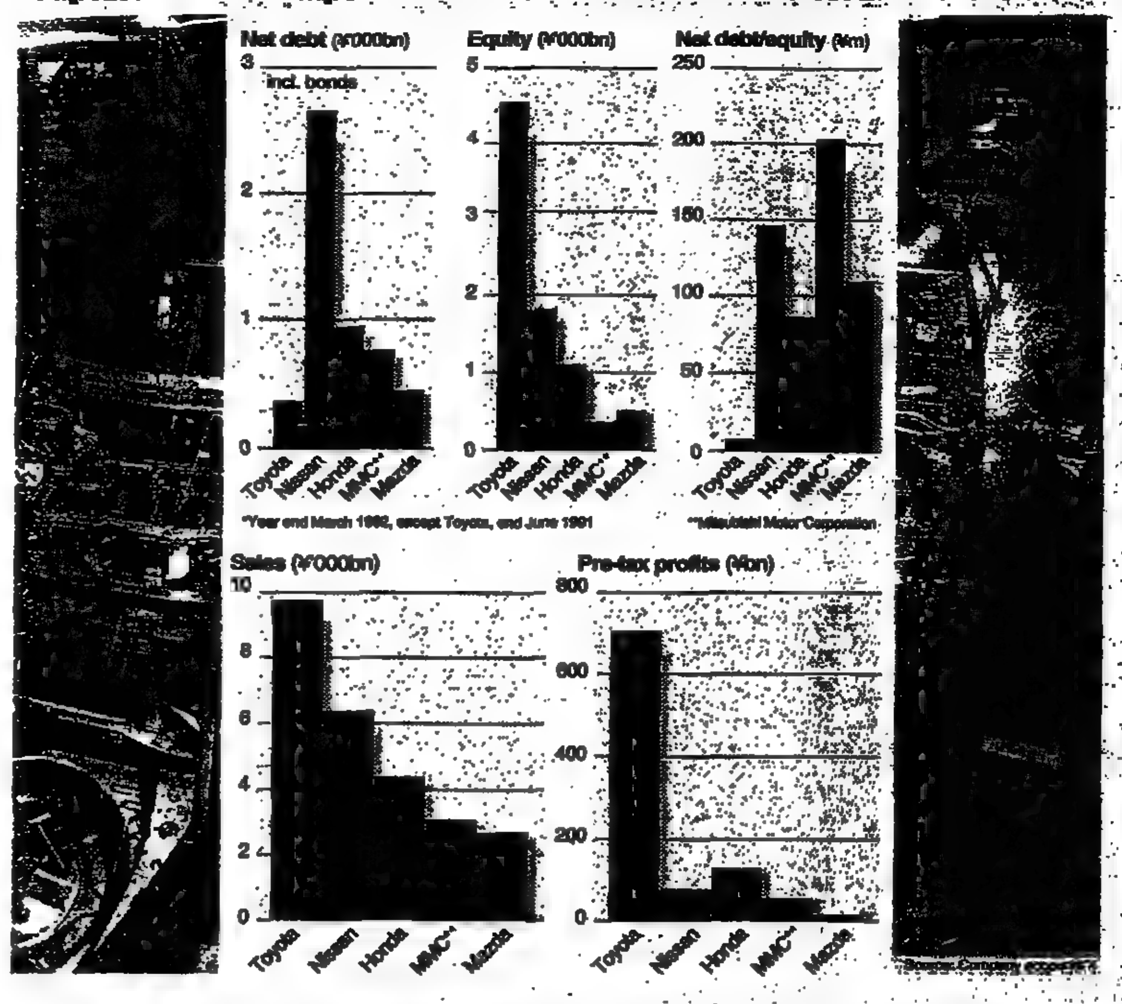
Of course, the Japanese companies have not suddenly become uncompetitive. Indeed, they are likely to continue making inroads in the luxury car market at the expense of manufacturers such as Mercedes Benz and BMW of Germany. Yet the overwhelming comparative advantage of the Japanese industry, supported by the country's strong domestic market in the late 1980s, is being pared back as a result of changes arising from the recession. Competition between Japanese and foreign carmakers promises to be more evenly matched.

The change has been sudden. The Japanese industry went on a spending spree for new plant and equipment when worldwide sales accelerated in the late 1980s. In the three years to the end of fiscal 1990, Toyota's capital spending doubled to an annual level of Y856.4bn (£3.6bn). Nissan's spending tripled in the same period to Y318.6bn. But the bills for this surge in investment are now falling due. Toyota, for example, saw a Y40bn increase in depreciation charges in the six months to December, compared with parent company operating profits of Y77bn.

At the same time, demand has contracted. Sales of passenger cars in the domestic market last year fell by 6.5 per cent.

The downturn has left the industry with excess capacity, and a mismatch between the models rolling off the line and what consumers want to buy. Toyota's efforts to move its Corolla – a sturdy, value-for-money car – up market by lifting the price and quality have fallen flat, contributing to a loss of market share in the small car sector.

Japanese car companies 1992*: conditions deteriorate



The adverse business environment, however, has affected the companies differently.

Nissan Motor, number two in Japan, is struggling to stay in the black after reporting a 71.8 per cent fall in operating profits to Y33.8bn in the year to March. Under Mr Kume's leadership, Nissan shook off its stodgy image by introducing a series of radically styled cars, beginning in 1987. But other companies quickly copied Nissan's strategy and its market share remained stuck at about 23 per cent. Its long-term goal of regaining its former 30 per cent of the market is now a distant dream.

In the past year, Nissan's debt (including bonds) has grown from Y3,100bn to Y3,570bn and the ratio of debt to equity has increased from 128 per cent to 147 per cent. The company desperately needs cash, and has been forced to sell long-held securities.

Toyota has also suffered from the downturn and forecast a 30 per cent fall in pre-tax profits to Y400bn in the year to the end of June. But the company is sitting on large cash reserves, totalling Y1,180bn at the end of December, and has insignificant net debt.

Mr Soichiro Toyoda, the company's president, is confident about Toyota's future, and dismisses suggestions that the industry is passing through more than a cyclical trough. Many industry executives, however, echo the themes articulated by Mr Kume, and say that Toyota too must learn to live with lower growth, longer product cycles and less choice for customers.

To recruit and retain workers, carmakers are spending billions of yen on work environments and housing

Mazda Motor, with 8.3 per cent of the domestic market, boasts the most eye-catching network of dealerships in Japan. It has just finished rebuilding its sales network into five channels for different types of cars and launched a series of stylish vehicles, such as its Sentia luxury sedan, but its sales and market share are also in decline.

It has lost third place in the Japanese market to Mitsubishi Motor. Mazda's operating profits fell by about 53 per cent in 1991, with margins of less than 1 per cent. Poor sales have forced Mazda to cancel night shifts at its most automated plant, which opened only in January.

Honda Motor, which now ranks fifth, has halted a slide in its market share at about 7.6 per cent. Consolidated operating profits grew by 4.4 per cent last year to Y153bn owing to strong US sales. But Honda too has had to increase its borrowings and its debt-to-equity ratio has risen from 74 per cent a year ago to 87 per cent at the end of March.

Only Mitsubishi Motors is expanding sales in Japan, and now claims an 8.4 per cent share of the domestic market. But its balance sheet is the weakest of the big five, with twice as much debt as equity.

While the recession has brought difficulties to a head, the companies do seem to be facing more than a cyclical downturn:

● **Growth prospects:** Car markets in Japan, Europe and the US are mature and offer little prospect for rapid growth. Japan's annual domestic vehicle sales increased by 46 per cent between 1986 and 1990, providing a big stimulus enjoyed almost exclusively by the Japanese industry. But that market is now near saturation; Japan's population is declining and its roads are full. Mr Kume expects the market to stabilise eventually at about 6m vehicle sales annually, slightly higher than the 1990 figure of 5.98m.

● **Cost of capital:** Many Japanese companies raised finance at a cost of less than 1 per cent until the stock market crashed in 1990. Much of the debt raised during that period is expiring, and now has to be refinanced at interest rates closer to 6-7 per cent, placing a new burden on cash flow.

● **The environment:** Tightening emissions standards around the globe, led by stringent standards in California, have increased the costs of producing new models and placed a greater strain on cash flow.

● **Labour shortage:** Japan has a steadily worsening labour shortage resulting from its low birth rate. To recruit production line workers and to keep them from leaving the company, Japanese manufacturers are being forced to increase salaries, and to spend billions of yen to improve work environments and housing. Toyota's wage bill rose by Y20bn in the six months to December. At the same time it is cutting working hours by about 100 hours a year per worker.

These factors make manufacturing in Japan more difficult and they are forcing the companies to squeeze more profits out of existing facilities. In part, this will happen by itself, provided that capital spending declines, as the heavy burden of depreciation charges on profits begins to ease in the years ahead.

Cutting costs is also high on the agenda. In the hectic race to satisfy rising demand in the 1980s, manufacturing efficiencies were sometimes lost. Mr Ryuichi Tsukamoto, executive vice-president of Honda Engineering, says Honda's parts supply capacity is between 20 and 30 per cent greater than necessary.

Mr Tsukamoto is leading a programme to increase the common use of parts among different Honda models, instead of designing each part separately for every model.

Flexibility and choice for consumers – hallmarks of the Japanese car industry – may also be reduced. Honda is cutting by a third the hundreds of different designs of sun visors it uses. Mr Kume says Nissan will look to extend the current four-year model cycle on a case-by-case basis as an additional cost-cutting measure.

Mr Toyoda is less optimistic about prospects for cost saving on the factory floor. He says: "We have been trying to use common parts for a long time, but have not been able to do it very well." This is because of the subtle differences in parts required for various vehicle designs.

In the end, if the Japanese companies wish to raise profits, they may have no option but to become less flexible, offer less choice to consumers, and charge a higher price for their products. Should they follow this path, they will begin to look a lot more like the companies they compete against in the west. Indeed, as the automobile industry in Europe and the US continues to slim down and adopt many of the management techniques originally perfected in Japan, the Japanese companies will look increasingly less invincible.

BOOK REVIEW

Adapt to survive

Corporate Culture and Performance
By John P Kotter and James L Heskett
Free Press/Macmillan $24.95

Professor Charles Handy, who is probably Britain's foremost management thinker, has made quite a splash with his argument that the purpose of a company these days must be much more than merely to create shareholder value. Instead he says that it must put the interests of customers and employees at least as high in its order of priorities.

His message has been decried in some quarters as intriguing yet insufficiently hard-edged. But now two Harvard professors have demonstrated from extensive empirical research that his case is indeed strong. They show that the values he espouses are very much the ones which are associated with – and may ensure – a company's ability to out-perform its competitors in the long term, both financially and in every other sense.

In a nutshell, the message of John Kotter and James Heskett's book is that superior financial performance in most market circumstances is heavily dependent on having a culture which helps the organisation anticipate and adapt to changes in the business environment. One of their paragons in this respect is Hewlett-Packard, the US computer company. Strong but unadaptive cultures, like those of General Motors, can be at least as dangerous as weak ones, they argue.

Yet, as British Airways, Nissan and others have shown, strong but inappropriate cultures *can* be changed, say Kotter and Heskett – given the right sort of leadership.

All this will come as especially good news to anyone who invests in, or works for, IBM, ICI, or even troubled BP. These, and a host of other corporations, are expending considerable effort and expense on what they variously call organisational- or culture-change.

One of the great virtues of this book, compared with the plethora of others on corporate culture and organisational change which has appeared in recent years, is that it is based on a set of studies into relatively large samples of companies – between 10 and 200, depending on the type of study. Another is its clarity, brevity and lack of evangelistic flannel.

Its definition of organisational culture, for instance, is much simpler than most. Whereas previous writers have argued that it consists of multiple layers, Kotter and Heskett delineate just two, each of which influences the other.

At a visible level are the *behaviour* patterns of groups of employees (such as fast or slow responses to customer requests, and the involvement or otherwise of junior employees in decision-making). At a deeper, less conscious, level are *values* which are shared by people in the group. In some corporate cultures people care most deeply about customers, in others about technological innovation, and in still others about their managerial status.

Until a decade ago, most people's understanding of corporate culture extended only as far as the idea that, to be successful, companies require just one or two strongly "shared values", such as IBM's commitment to customer service and its respect for individual employees. Then the bestseller In Search of Excellence, by Tom Peters and Bob Waterman, taught people that culture was much more complex.

But what neither school of thought spotted was that, in an age of rapid change, cultures appropriate to today's business environment may be unsuitable – or even lethal – in tomorrow's. Many of the companies lauded by Peters and Waterman stumbled soon afterwards.

More recently, IBM and Citibank have done so too. Such companies can do well for quite a while, say Kotter and Heskett, because their cultures fit their relatively static environments. But when these start to change, the company's competitive performance suffers.

Kotter and Heskett's empirical research assessed in various ways the cultural characteristics and financial performance of their study of companies over 11 years to 1988.

Their prime conclusion from the data is that a company will adapt appropriately only if all its members really care deeply about, and pay constant attention to, what the academics call "the three key managerial consistencies": customers, stockholders and employees. As each constituency changes its preferences and priorities, the company anticipates or responds.

The Harvard pair put the three constituencies in a slightly different order from Professor Handy, but their message is essentially the same as his. And as powerful.

The book is slightly less satisfactory in its advice about how companies can turn themselves into adaptive paragons like Hewlett-Packard. It contains plenty of examples of successful change programmes, such as those at American Express, Bankers Trust, British Airways, Xerox and especially ICI and Nissan.

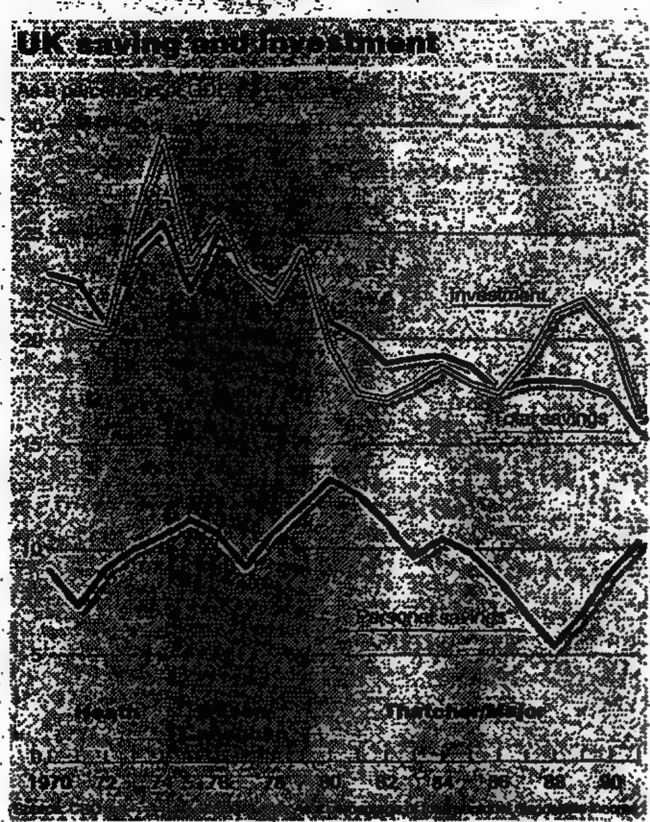
Yet some of its judgments of success are premature – at Scandinavian Airlines for instance – despite its own correct warning that culture change can seldom occur quickly. The book is also rather short on evidence that many such change efforts have instilled a really flexible set of "adaptive" values, rather than just created a more modern but still static culture.

Christopher Lorenz

ECONOMIC VIEWPOINT

Time to state the case for an anti-savings drive

By Samuel Brittan



There would have been a time when the chancellor's heart would have leapt for joy at the rise in the UK personal savings ratio of more than one percentage point to 11.5 per cent in the first quarter of 1992.

But this time, if Norman Lamont's heart registered any reaction at all, it was not joy. When a country is struggling to emerge from recession, a rise in savings is the last thing a chancellor wants.

Of course, it can be argued that there are better ways of stimulating domestic demand than weak personal savings. The chancellor could listen to all the siren voices asking him for more government spending and to expand the budget deficit still further from its probable level of £30bn plus. Or he could take risks with Britain's hard won trend towards lower inflation by slashing interest rates and leaving the Exchange Rate Mechanism.

I know which of the three would carry least risk – lower personal savings. Of course, the personal savings ratio is not an instrument of policy in the way that the budget and short term interest rates are. But it would nevertheless be helpful to get away from a mind set in which savings are always regarded as good and consumer spending as bad.

Some of us can still recall the National Savings drives which were inflicted on us at school where we were expected to buy stamps to provide a ship or an aircraft. I was not as shocked as I was meant to be when Milton Friedman said to me that these savings drives had been intended to reduce inflationary pressure and they had not affected the government's military programme. If savings drives helped to relieve inflationary pressure, anti-savings drives might help to relieve deflationary pressure.

In fact, I had been inoculated against any excessive or automatic belief in the virtues of savings when as a precocious schoolboy I read a book by a popular science writer, Gordon Rattray Taylor. He wanted to get to the bottom of why unemployment had been so high before the second world war. He explained that the real Keynesian message was that savings had been too high and this had led to the evils of low output, high unemployment and general depression.

It still seems to me the essential message of Keynes's General Theory in one sentence, although the long term persistence of heavy unemployment cannot be explained without bringing in wage behaviour.

Now for the inevitable qualifications and complications. To start with, personal savings are only part of savings and very often not the most important part. What matters from the point of view of the national economy is total savings, including those of business and government.

It is puzzling that so inadequate an indicator as the personal savings ratio has been such a good contemporaneous indicator of the state of the economy. Personal savings were last near their present level in 1981, the bottom of the previous recession. The personal savings ratio reached a low of 5.4 per cent in 1988, the year of greatest inflationary pressure in the last boom.

Why is not more attention paid to the total national savings ratio? The answer is that to do so would give the game away. For by the conventions of national income accounting (whose inventors are now in Valhalla), savings equal investment by definition. This is so in a closed economy or the world as a whole.

Even in a single country investment is equal to savings plus the balance of payments deficit on current account (or minus the payments surplus).

Many countries often have small gaps in their balance of payments; so true savings ratios are not too different from investment ratios, and tell us little about problems of boom, slump, capital shortage or surplus or anything else. Even the UK's payments deficit is only 1½ per cent of GDP.

For the world as a whole, the only gaps between savings and investment are statistical errors and omissions. The inflationary or deflationary gap is like one of these gaps in the mountains about which one reads in the guide book, but which always keep receding further into the horizon.

There is a difference between a desire for capital and an effective demand for it

The actual gap, which I have kept until the second half of this article for the busy business reader to avoid, is between intended savings and intended investment. The two can be brought into line in a depression by a fall in output and income to a level where savings are low enough to do no more than offset the amount of investment that business is willing to carry out.

But more stages are necessary in the argument. I have frequently criticised the US obsession with the Japanese balance of payments surplus by saying that it was just the mirror image of a Japanese savings surplus which was performing a valuable function in promoting world investment and keeping down world real interest rates.

Why then cannot any tendency for savings to exceed investment in the UK be offset by a balance of payments surplus, Japanese style, instead of the familiar deficit? No doubt the answer is long and complex and contains structural elements. But the immediate reason why British industry cannot easily make up abroad for any shortfall or demand at home is that the tendency to slow growth and recession is worldwide.

The Germans are exceptional in still being in a situation where there is more danger of excess demand than of deficient demand, thanks to unification pressures. But in most other places the complaint is that consumers are not spending enough. In Japan, the reluctance of consumers to accumulate more debt is leading not just to a higher balance of payments surplus but to recession.

How about, I will be asked, the much-discussed world capital shortage? What world capital shortage? Obviously the former Communist countries could make use of more funds both to replenish their capital stock and to help their own hard-pressed consumers until their economies revive. But there is a difference between a desire or even a need for capital and an effective demand for it on terms that western investors are willing to meet. At current levels of interest rates, wage rates, prices and so on there is inadequate demand for capital to meet the world's savings potential.

The hardest piece of evidence against my view that intended savings are too high is the obstinate tendency of world real interest rates to remain stuck at about 4 per cent, judging by the yield on long term UK indexed bonds.

I cannot pretend to explain this completely. One possibility is that although there is no effective capital shortage now, there will be in the future and that the recession is just – for all its agony – a phase. A related possibility is the fear that under the influence of recession or just political weakness, governments might overdo the deficit spending and create an excess demand for loanable funds in future. Yet another possibility is that the bond market is just being lethargic in reacting to a changed situation. The operators in it may have an exaggerated fear of deficit spending.

If that is the case, then real interest rates will eventually drop. But in the meanwhile some cushion is required; and it is as well that the maximum levels of budget deficit decreed in Maastricht look like being exceeded not only in the EC but in the world as a whole.

LETTERS TO THE EDITOR

Number One Southwark Bridge, London SE1 9HL

Fax 071 873 5938. Letters transmitted should be clearly typed and not hand written. Please set fax for finest resolution

No time to shout foul

From Mr Hugh Aldous.

Sir, Mr Allister Wilson's article ("Closing the gaps between expectation and reality", June 25) is good – although he could have said it in four sentences instead of 54. However, the accountancy profession would be larger in stature if it admitted that all these matters have been well known for 20 years. For most of that time it suited the profession that accounts had little meaning other than a consequential one and no one knew what an audit was supposed to be. The fact that public disquiet and some huge legal actions mean that this state of affairs no longer suits the profession is hardly the best reason to shout "foul – someone else should do something".

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One shot only for high-tech

From N F Knollys.

Sir, May I add to Mr Hartley's letter (June 29). There are spectators who hope, perhaps vainly, that tennis play will develop beyond the power service into a more interesting volley game in which players will demonstrate their wider skills. Those who do not, presumably enjoy the spectacle of a gladiatorial contest in its own right.

My suggestion to compensate for the high-tech racket's impact on the service is to deny the second chance to serve. Aspirants to world-class championships should be prepared to get their service right first time. In fact, such a rule should be effective in opening up the game. Meanwhile, I suspect that the pressures of the market will prevail. Demand for seats at Wimbledon, for example, exceeds supply. Until spectators vote with their feet, I doubt that the authorities will introduce the change.

N F Knollys,
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Charities should provide input in assessing top pay

From Mr Peter M Brown.

Sir, Why does the Top Salaries Review Body concentrate so much of its comparison research on directors' pay in private industry ("Political row may erupt over top people's pay", June 22)?

There are other sectors of the economy where valid comparisons can be made with chief executives in local government and major charities.

Our annual survey of the latter, based on 67 voluntary organisations, shows charity directors earning £36,500 in 1991 compared with chief executives in all sizes of private-sector companies on £45,000. In addition, only 55 per cent of the charities, compared with 84 per cent of companies, offered their chief executives a car.

The relationship between a charity director and his trustees is in many ways similar to that of a permanent secretary and his minister and although the scale is different – even the Red Cross and the National Trust being dwarfed by the smaller ministries – input from some charities would seem relevant to the Top Salaries Review Body's work.

Peter M Brown,
chairman,
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Benefit of well-constituted remuneration committees

From Mr Colin St Johnston.

Sir, We warmly welcome the contribution made by Prof Main of Edinburgh University to the debate on how to improve the quality of boardroom practice ("Committee boost to top pay seen", June 29).

However, it is important to put into context some of his remarks about the efficacy of remuneration committees if companies are to derive the real benefits which such committees can achieve.

First, these are early days for remuneration committees. It is easy to forget how recently and how quickly the interest on matters of corporate governance has developed.

Prof Main's research, to which we contributed, was largely conducted before Pro Ned had issued its Guidelines on Remuneration Committees and when media attention on the issue had yet to gather steam.

At the time, our guidelines, which were sent to more than 2,000 chairmen and chief executives, were welcomed because committees were unsure about what they ought to be doing. Interest has been so great that we have since been asked for a further 3,000 copies.

Second, we firmly believe in soundly constituted remuneration committees and the issue now is how to help companies find the best ways to make these committees work. The key here is who sits on the committee and how they are appointed.

The system will only work properly under the following conditions:

- where there is a separate chairman;
- where non-executive directors are appointed by a nomination committee and are of sufficient calibre to be independent;
- where shareholders make their views on remuneration known and the chairman of the committee has to answer them at the annual general meeting.

It is important to encourage remuneration committees and then to set about improving their operation.

That is what Pro Ned aims to do.

Colin St Johnston,
managing director,
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Thinking on Ross Perot hard to understand

From Mr Ian Robinson.

Sir, It is surely of some interest that so many Americans seem to be rejecting all the established parties in favour of a "maverick" and surely also reasonable to expect some enlightenment from the serious press. So I began reading your article on Ross Perot with some interest ("Trial by rabbit punch", June 27).

I ended it wondering, not for the first time, why the liberal mind is so much harder to understand than ordinary Americans. Mr Perot is sneered at for "frequently underwriting the missions of unsavoury soldiers of fortune to find Americans in Indochina". What can possibly be objectionable if a private citizen finances attempts to discover some of his fellow citizens, despatched to a far country on military service, and apparently (according to your correspondent himself) abandoned there by the American government? What is "unsavoury" about the people who do the dangerous work?

I ask the questions seriously; the mind that counts this activity as something of which Mr Perot can be "accused" is beyond ordinary sense.

Later, Mr Perot is reported to have "admitted delving into" a Republican plot about Iran in 1980 "to see if Mr Bush was personally involved". Why does this count as an admission? If your correspondent had been delving and had found anything, it would be a scoop, but if it's Perot, something has been "admitted".

Mr Perot is evidently a shock to the East Coast liberal establishment. Whether it can dispose of him as it did of President Nixon remains to be seen; as does whether Mr Perot is genuinely shocking or only a man of common sense. Either way, it is that liberal consensus that is really impenetrable.

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OBSERVER

Down the line

■ Can it be that Toyota Motor is about to loosen up culturally by passing on the presidency from 67-year-old Soichiro Toyoda to his younger brother Tatsuro? After all, with $13bn in the bank, it could perhaps afford to add a touch of cosmopolitan leavening to its almost paradigmatically Japanese style of management.

Its achievement in emerging from turbulent times as the world's richest automobile company owes much to the 10-year reign of the elder Toyoda, son of the founder Kiichiro. But the buzz is that Soichiro now wants to devote his considerable energies to the influential Federation of Industrial Organisations, where he is vice-chairman.

Although his younger brother is also an engineer by training, the hand-over would bring more international experience to Toyota's driving seat. Now 63, Tatsuro has an MBA degree from New York University and has been looking after the business outside Japan.

In the end, though, whether the change takes place depends not on the two brothers, but on the company's 79-year-old chairman. Needless to say, he's their uncle Eiji who made his name pioneering the super-efficient Toyota production system in the 1950s.

Parsimoney

■ Chris Haskins must surely be one of the lowest paid chairmen of a Footsie company. Despite a 17 per cent pay rise last year, the cheery chairman of Northern Foods was only paid £181,000.

Indeed, his entire seven-man board – which includes three non-executives – earns less than £500,000, which is roughly the same amount as the chief executive of Unigate, a company under half Northern's size, gets paid. There's also quite a difference in the two companies' share prices over the past year – Northern has outperformed Unigate two and a half times.

So perhaps Northern's seven shirt-sleeved directors, as pictured in the annual report, should be allowed to celebrate with something a little stronger than water and only five glasses.

Olympic rumbles

■ Is it a brave display of editorial independence, or injured pride which prompted Time Magazine to publish a special Olympics supplement with its international edition that includes a sharp attack on Juan Antonio Samaranch, the controversial president of the International Olympic Committee?

What makes the article on Samaranch special is that Time is one of the 12 chief sponsors of next month's Barcelona Olympics, who have each paid millions of dollars for the privilege of associating their names with the glory of the games.

It is unusual for a sponsor to attack the product it has paid bundles of money to endorse. But then Time magazine and its sister publication, Sports Illustrated, were singled out for criticism in the recently published book on the IOC – The Lords of the Rings. Referring to their right to produce earlier special Olympic souvenir issues, the book wondered whether the publishing group had "tied itself so closely to the Olympic movement that it jeopardised its ability to produce critical journalism?"

Interestingly, Time's sister publication and fellow Olympics sponsor, Sports Illustrated, recently gave "The Lords of the Rings" an unfriendly review, describing it as "naive".

The review drew a rebuke from one of the co-authors, who snorted that it was just another example of sports publications ignoring the truth about the IOC.

Overlooked

■ There's no question that the UK Treasury's chief economist Alan Budd is right to call for outside advice on topics economic. But whether he's asking the right people to give it, is another matter.

True, given the dismal science's strong rivalries, any list that didn't include everybody was bound to put some noses out of joint. Even so, there were some brow-furrowing omissions from the affable Budd's Great George Street pow-wow.

One was David Stout, chief economist at Unilever and soon to begin a new career in interpreting business strategy at London Business School. A second absentee was Shell International Petroleum's formidable head of economics DeAnne Julius. Still others were Julian Tapp of British Aerospace, Glaxo's Robert Jones, and Jim Hirst of Esso.

That is, of course, not to imply any inability on the part of those who were invited to give a good blow-by-blow account of the spiralling decay being experienced by large chunks of British industry. They included, for instance, Richard Freeman of ICI, RTZ's Phillip Crowson, Kate Barker of Ford and GKN's Leslie Gunde.

Next time, however, Budd would do well to spread the net wider. In particular, why not invite some of the livelier City economists who're always complaining about lack of opportunities to swap data with Treasury counterparts?

Annual boredom

■ Ares-Serono, the Swiss pharmaceutical group known mainly for making drugs to stimulate fertility in human beings, raised eyebrows recently by illustrating its annual report with charming photographs of Swiss cog-wheel trains going through their Alpine paces. Was this a case of an almost fanatical love for Switzerland, Fabio Bertarelli, the Italian born chief executive was asked?

"No, I was just bored with these pictures of the same stupid things in annual reports. Next year, we are going to feature Swiss water."

Under dog

■ Dutch musician John Wallen was literally hounded down when he slipped out of his BMW to close the garage door before driving off.

His pet dog jumped into the front seat, nudged the gear lever and ran him over, breaking his leg.

FINANCIAL TIMES
Thursday July 2 1992

Lloyds chief calls for change in insurance regulatory framework

By Richard Lapper

AN eagerly-awaited report into the management of Lloyd's of London will today recommend a new framework to manage and regulate the troubled insurance market.

The report, by Sir Jeremy Morse, the chairman of Lloyds Bank, suggests that regulation should be separated from the day-to-day administration and business planning of the market.

A proposed regulatory board would be one of two executive bodies governing the market along with the existing Lloyd's council, which has faced heavy criticism in the wake of record losses.

The recommendations leave intact the system of self-regulation codified by the 1982 Lloyd's Act, but could pave the way for the integration of Lloyd's into the City's regulatory framework.

A second report by a committee headed by Sir David Walker, the chairman of the Securities and Investment Board, the investment watchdog, was also considered by the Lloyd's council yesterday.

It concerns the specialist "spiral" reinsurance market – in which Lloyd's syndicates combine with insurance companies to reinsure each other's exposure to catastrophe loss.

The report dismisses allegations of fraud or malpractice by Lloyd's, but criticises the way in which many Names – the individuals whose assets back underwriting in the market – were funnelled into the high risk spiral reinsurance syndicates.

The two reports could go some way to quelling concerns in Parliament about allegations of malpractice at Lloyd's, although dissident Names last night attacked Sir David's conclusions.

Mr Alfred Doll-Steinberg, chairman of the Gooda Walker Action Group, the biggest group of loss-making Names, said he "was disappointed but not surprised". Sir David had "apparently concluded that the spiral was not improper. We will want to know why," said Mr Doll-Steinberg.

More than 4,000 Names who were members of some of the worst performing spiral syndicates will learn this week that they face a further cash call of £307m to meet losses from 1989 and earlier years.

Cash calls on members of the same syndicates made since April 1991 already amount to over £365m. GW Run Off, an agency, is now managing the Gooda Walker business, following its liquidation last year.

According to the agency's chairman, Mr Ralph Sharp, Gooda Walker's gross claims (before reinsurance recoveries) in 1989 amounted to about £890m. Net losses for the year – which has been left open – amount to £491m. But a further deterioration on the 1989 year "cannot be ruled out," said Mr Sharp.

The Morse proposals are broadly in line with the conclusions of a market task force presented in January.

The task force's proposals on governance and regulation were initially rejected by Mr David Coleridge, the chairman of Lloyd's.

Sir Jeremy's committee was appointed to re-examine the proposals following strong pressure from Lloyd's agents and underwriters. Sir Jeremy recommends a reduction in the size of the council and suggests the appointment of a chief executive with broad business experience to head a market board.

Lloyd's spiral, Page 7

Summer holiday: Dutch tourists make the best of the strike by French lorrydrivers as they picnic amid trucks which blocked the A1 highway near Seclin in northern France

French truckers' protest brings chaos

By Alice Rawsthorn in Paris

TRAFFIC came to a standstill throughout France again yesterday as lorry drivers staged their second day of protest against the government's clampdown on dangerous driving.

The truckers' roadblocks, together with continuing demonstrations by French farmers, caused chaos. Deliveries to shops and factories were disrupted. Shops in Lyon were running out of fresh food, and tourists were trapped at Channel ports unable to proceed to their holiday destinations.

There were lengthy tailbacks of cars and lorries at the borders with Spain and Italy. Emergency telephone lines into traffic information centres were overloaded with calls from desperate drivers.

On a radio programme, Mr Jean Louis Bianco, minister of transport and housing, accused truckers of "holding the French hostage". This provoked uproar among an invited audience of lorry drivers, one of whom shouted: "We are not gangsters."

Truckers sealed off the centres of Lyons and Limoges with barricades. The main motorways north and south of Paris were cut off by roadblocks and the ring road around the capital was jammed with traffic.

In some areas, lorry drivers joined groups of militant French farmers, who were demonstrating against the European Community's agricultural reforms, to stage *Opérations Escargots* by driving convoys of trucks and tractors at snail's pace along major roads.

The lorry drivers were protesting against new rules on dangerous driving which came into force yesterday. Under the new system, a driver is awarded six points on his or her licence, with any offence resulting in the loss of a number of points. Drunk driving counts three points, while speeding or driving through a red traffic light means the loss of two.

Once a driver has lost six points, the licence is automatically forfeited and is not returned for at least six months. Truckers claim that, as professional drivers, they should be allocated extra points since the loss of their licences means the loss of their livelihood. Taxi drivers, who are also campaigning against the changes, held a one-day strike in Paris earlier this month.

So far, the French government, anxious to reduce accidents on French roads, which claimed 9,600 lives last year – twice as many as in the UK, for example – has remained adamant. Mr Georges Sarre, transport secretary, said the new points system was "not negotiable". However, he said he would assess the progress of the new system at the end of this week. This could lead to "some modifications", he added.

Major promotes image of conciliation with Delors

By Ivo Dawnay and David Buchan in London

BRITAIN launched its six-month presidency of the European Community yesterday with a show of unity and co-operation between Mr John Major and Mr Jacques Delors, the European Commission president.

But a reminder of the political obstacles facing the Community emerged when Mr Major conceded for the first time that the UK might not complete ratification of the Maastricht treaty by the target date of the new year.

At a joint Westminster news conference with Mr Delors, Mr Major pledged that Britain was determined to press ahead with the process after taking stock of the situation in the autumn. Then he added: "It would be desirable to finish it by the end of the year, but it is not essential."

Mr Major's tacit admission of the risks posed by domestic political opposition came after a plenary meeting between the UK cabinet and the 17 EC Commissioners in London.

It was followed by a series of bilateral meetings, including a private session between Mr Major and Mr Delors, focused on the central problem of Denmark's rejection of the treaty.

Underlining the spirit of conciliation, both Mr Major and Mr Delors confirmed their agreement that Denmark would succeed Britain, as scheduled, in the presidency in January, brushing aside suggestions that it was no longer eligible.

Mr Delors, who refused to rise to the recent criticism from his old opponent, Lady Thatcher,

French ready to approve Maastricht....................Page 2

said the Commission and the UK presidency were "on the same side, with the same purpose to make progress and succeed".

At last weekend's Lisbon summit, the UK had tried unsuccessfully to avoid the ratification of Maastricht being made a formal pre-condition for the opening of enlargement talks with European Free Trade Association (Efta) countries. The compromise was that "preparatory" talks could be held before ratification, but that "official negotiations" could only begin afterwards.

Yesterday, Mr Delors said there would be little difference in practice between "preparatory" and "official" talks with the Efta countries. He added that the Commission would soon deliver its formal opinions on the EC candidacy of Sweden, Finland and Switzerland, having already given a positive verdict on Austrian membership.

Both Mr Major and Mr Delors emphasised the need for subsidiarity, or taking decisions in the Community at the lowest appropriate level. Mr Major called for subsidiarity to be "enshrined as a natural part of the Community's instincts rather than as something to be wheeled out from time to time when it is convenient."

The UK leader conceded the potential conflict between the Community's two goals of forging a single, barrier-free market without national distortions and of giving national governments more say in the implementation of EC laws and rules.

Each issue, Mr Major said, would have to be examined to see "whether the balance of advantage lay wholly with an unreconstructed single market or whether subsidiarity would have to take precedence". However, he indicated that he would generally give priority to maintaining "the level playing field" of the single EC market, due to come into effect as the UK presidency ends.

The implication is that the prime minister's support for subsidiarity will take second place on what he described as "the major matters of competition".

Telegraph share sale spurned by investors

Continued from Page 1

cerned that the company would still be controlled by Mr Black's Canadian-based Hollinger Group, which retains a 68 per cent stake.

Mr Joe Cooke, managing director of The Telegraph, said the issue probably went "as well as it could have done in the circumstances".

"It is always a problem with professional investors to invest in a company with a majority stake," he said.

But the company was not raising money itself, and Mr Cooke expected "quickly to establish a good track record with investors".

Mr Nigel Higgins, of N.M. Rothschild, the merchant bank advising The Telegraph, said: "We are disappointed but philosophical". Since the issue was priced last week the stock market had fallen, he said, and brokers had cut profit forecasts for other companies in the media sector.

The Telegraph, whose flagship daily newspaper has a circulation of more than 1m, had expected its readers to apply for shares. However, only 5,655 applications were received for the public offer.

World Weather

		°C	°F
Ajaccio	C	25	77
Algiers	F	26	79
Amsterdam	C	17	63
Athens	C	26	79
Bahrain	S	34	93
Bangkok	F	33	91
Barcelona	S	22	72
Beijing	S	34	93
Beirut	S	26	79
Belfast	C	13	55
Belgrade	S	26	79
Berlin	S	32	90
Biarritz	C	19	66
Bombay	F	31	88
Bordeaux	T	19	66

		°C	°F
Boulogne	C	17	63
Brussels	C	21	70
Budapest	F	28	82
Buenos Aires	F	13	55
Cairo	S	32	90
Cape Town	S	16	61
Caracas	C	30	86
Casablanca †	C	22	72
Chicago †	S	18	64
Cologne	F	22	72
Copenhagen	S	27	81
Corfu	S	26	79
Dallas †	C	26	79
Dublin	C	14	57
Dubrovnik		–	–
Edinburgh	F	13	55
Faro	S	24	75
Florence	F	26	79

		°C	°F
Frankfurt	F	22	72
Geneva	S	19	66
Gibraltar	S	24	75
Glasgow	F	14	57
Helsinki	S	23	73
Hong Kong	F	29	84
Innsbruck	F	25	77
Inverness	C	12	54
Islamabad	C	30	86
Istanbul	F	21	70
Jakarta	C	33	91
Johannesburg	S	18	64
Lisbon	C	21	70
London	C	19	66
Los Angeles †	S	16	61
Luxembourg	C	21	70
Madeira	F	24	75
Madrid	F	23	73

		°C	°F
Majorca	S	28	82
Malaga	S	31	88
Malta	F	25	77
Manila	R	32	90
Melbourne	S	14	57
Mexico City	R	22	72
Miami †	S	28	82
Milan	F	23	73
Montreal †	F	16	61
Moscow	F	25	77
Munich	C	20	68
Nairobi		–	–
Naples	F	25	77
Nassau	F	33	91
New Delhi		–	–
New York †	F	25	77
Nice	R	17	63
Nicosia	S	25	77

		°C	°F
Oporto	F	20	68
Oslo	F	14	57
Paris	F	22	72
Prague	S	28	82
Reykjavik	C	12	54
Rhodes	S	24	75
Rio de Janeiro	C	32	90
Rome	F	24	75
Salzburg	S	26	79
S'Francisco †	C	18	64
Seoul	S	27	81
Singapore	F	31	88
Stockholm	R	16	61
Strasbourg	S	21	70
Sydney	S	19	66
Taipei	F	34	93
Tangier	S	23	73
Tel Aviv	S	29	84

		°C	°F
Tenerife	F	25	77
Tokyo	S	29	84
Toronto †	C	15	59
Tunis	F	26	79
Valencia	S	25	77
Venice	S	25	77
Vienna	S	28	82
Warsaw	S	29	84
Washington †	F	24	75
Zurich	S	20	68

Temperatures at midday yesterday
† Noon GMT temperatures
C–Cloudy Dr–Drizzle F–Fair Fg–Fog H–Hail R–Rain S–Sunny Sl–Sleet Sn–Snow T–Thunder

THE LEX COLUMN

Turning off the tap

The resounding flop of the public half of The Telegraph's flotation raises the question of whether UK corporations can still look to the equity market as a source of funds. The Telegraph may be a special case, having suffered unfairly from renewed publicity over the Mirror float. GPA may have been special too, by virtue of the complexity of its business. But one scarcely envies the advisers to MFI and Wellcome, or indeed to any company contemplating a big rights issue.

It is not as if the Telegraph flop can be put down simply to a falling market. Between the pricing of the issue and yesterday's close of the offer, the FT-SE had fallen by only around 30 points. Nor is it a question of the UK market being short of cash. Last week's gilts issue – the biggest in the market's history – was swallowed readily enough by the domestic institutions.

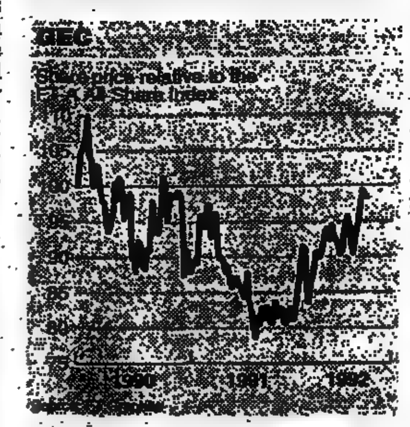
The real problem may simply be that in a period of terminal gloom about the UK economy, investors have given up thoughts of capital gain and are interested solely in security of income. This could prove a temporary phase as the markets adjust to a new world of low inflation. But the companies which offer such security – the utilities, for instance – are precisely those which do not need cash in the first place. As with individuals, so with corporations: those who were seduced into borrowing in the late 1980s are perhaps being left to find their own salvation.

GEC

There are two ways of judging Lord Weinstock. Either he is a penny-pinching manager, obstinately hoarding his pile of cash, or he is a grand strategist with the rare talent of avoiding all the worst pitfalls of the defence and consumer electronics industries. Yesterday's results may have prompted GEC shareholders to opt for the latter view. Few indeed are the UK industrial companies which can offer a secure dividend covered nearly twice by earnings and more than twice by free cash-flow.

Less certain is how GEC would compare at a different stage in the economic cycle. Its weakness remains its uncertain growth prospects. Defence markets are shrinking. Though the damage from Germany abandoning the European fighter aircraft project would be limited, it would still make GEC's purchase of Ferranti look an expensive mistake. Earnings from telecommunications will fall this year as

FT-SE Index: 2493.9 (-27.3)



System X winds down. Vigorous growth in power systems also seems unlikely. One view is that GEC's immediate hopes lie in its £876m net cash and the scope for its consumer business to rebound as recovery takes holds. The two are mutually exclusive, however. The consumer business would only recover in the unlikely event that interest rates fall sharply. That leaves cash as the main driving force behind earnings this year. In that case, GEC's yield of 5.5 per cent compares rather badly with the average money market fund.

Continental/Pirelli

It is easy to feel outrage at the efforts of Continental, the German tyre company, to restrict Pirelli from exercising full voting rights over the 40 per cent it directly or indirectly controls. But investors attending tomorrow's annual meeting should consider the risks before they throw out the limitation on any one shareholder voting more than five per cent. Unlike the UK, Germany has no takeover code requiring all shareholders to receive equal treatment in a bid. The five per cent rule, which gives bargaining rights to a broad corpus of shareholders, is the only effective barrier to takeover by stealth, as Hoesch found to its cost when confronted by Krupp.

By allowing Pirelli full voting rights, other shareholders would be giving it effective control without gaining anything in return. Pirelli argues that it is now too deeply engrossed in its own domestic restructuring programme to entertain hostile intentions towards Continental. It is interested in being enfranchised only so that it can extract full value from its holding.

Eventually, it could realise a higher price for itself through the sale of its enfranchised stake. That might help Continental's share price by putting Pirelli's shares in firmer hands, but the purchaser would have no obligation to other shareholders. Germany needs a proper takeover code, if its corporate sector is to secure more foreign capital. There is no point in going half-way towards democracy, least of all when the benefit would accrue to a company which originally acquired its interests through a network of indemnified undercover alliances.

Granada

At least one UK company yesterday had the market scurrying to upgrade its forecasts for the current year. Granada's 49 per cent jump in interim profits was not only better than expected. The result also strongly suggests that the management broom of new chief executive Gerry Robinson is sweeping quickly down to the bottom line.

The extent of the cost cutting – reflected in a 12 per cent increase at the operating level despite minimal help from the economy – is a bit surprising at this belated point in the cycle. But that is a question for Mr Robinson's predecessors. The issue today is whether, after outperforming by 65 per cent over the last 12 months, the shares may not now run out of steam. At 257p, the forward earnings multiple is 16 to 17 times, a rating which obviously allows for the additional cost savings next year but which also assumes the company will be able to generate new areas of growth.

The mature rental and increasingly competitive television business hardly seem the likeliest of candidates, which leaves leisure and computer services. The latter division's turnaround has been textbook stuff – cutting out head office overheads and weeding out the dud contracts – and margins of 10 per cent should be established by the year-end. Whether Granada really can go on to attack manufacturers' share of the maintenance market is another matter.

In retrospect, investors probably over-reacted to the internal shenanigans and rights issue drama a year ago. Granada's businesses have proved to be fundamentally sound, and a progressive payout assured. But the shares are still taking a lot on trust.

FINANCIAL TIMES
COMPANIES & MARKETS
Thursday July 2 1992

INSIDE

Market Statistics

Companies in this issue

Chief price changes yesterday

FRANKFURT (DM)

Rises			
Heidelb Zem	920	+	20
Falls			
Bedisar Bank	263	–	7
DLW	535	–	11
Gerresheimer	307	–	10
Hapag Lloyd	535	–	20
Jertz	339	–	12

NEW YORK ($)

Rises			
Oracle Systems	17⅞	+	2⅛
Owens Corning	32⅜	+	1½
Falls			
Chrysler	21	–	⅛
Gen Motors	43	–	1
Michaels	17½	–	2⅜
Systems Center	6¾	–	2¾

PARIS (FFr)

Rises			
Immobanque	620	+	25
Falls			
BIC	765	–	20
Credit Lyonn	525	–	23
Intertech	730	–	49
Rhone Poulenc	593	–	20
Valeo	755	–	15

TOKYO (Yen)

Rises			
Ichikoh Inds	409	+	79
Isetan	1850	+	250
Koa	850	+	100
Nippon Seiro	230	+	29
Stanley	634	+	99
Teikoku	949	+	80

LONDON (Pence)

Rises			
Cranswick	356	+	17
CRP	233	+	8
Granada	257	+	13
In Shops	81	+	6
Midlands Elec	337	+	11
Falls			
AMEC	123	–	9
Argos	79	–	10
Amber Day	41	–	9
BM	85	–	28
Brent	558	–	17
Costain	40	–	6
Cray Mckler	39	–	5
Dalepak Foods	328	–	25
Edmond Hldgs	26	–	12
Glaxo	659	–	21
Higgs & Hill	62	–	7
Jones Shipman	32½	–	12½
Lasmo	167	–	13
Next	36	–	5
P & O Defd	418	–	17
Spring Ram	148	–	8
Sand Chartl	429	–	15
Sun Alliance	275	–	14
Wimpey (G)	139	–	5

Eurobond firms alarmed by EC directive

By Simon London in London

EUROPEAN regulations for the securities industry agreed this week could lead to large areas of the off-shore Eurobond market being driven back on to domestic stock markets, according to senior bankers.

On Monday, European governments reached agreement on a draft Investment Services Directive, which lays down rules for the conduct of securities business in the European Community.

The agreement gives governments the right to demand that securities transactions undertaken by retail investors – private individuals rather than institutions – are conducted on regulated markets.

The Eurobond market does not qualify as a regulated market because it does not meet the strict disclosure and reporting requirements laid down in other sections of the directive.

Bankers had expected Eurobonds to be specifically exempted from the provisions of the directive. However, monetary officials familiar with the agreement confirmed yesterday that no blanket exemption for Eurobonds has been granted.

Firms fear that some European governments could now use the directive to increase the volume of business traded through domestic stock exchanges, by demanding that all retail bond business is conducted on a regulated market.

"We were given specific assurances by the regulators on this issue. I am astonished and concerned that the exemption is not in place," said Mr Dirk Hazell, Secretary General of the International Primary Market Association, which represents leading Eurobond underwriters. In the first six months of this year companies and governments raised $148bn in the Eurobond market. Although institutional investors take the majority of big Eurobond issues, retail investors remain a significant and lucrative area of the market. Yesterday, IBM raised $300m from an issue targeted at retail investors.

Other areas of European legislation exempt Eurobonds from securities regulations. For example, the Public Offers Directive says borrowers in the Eurobond markets need not publish a full prospectus before a new issue.

Eurobond underwriters are already concerned that capital adequacy rules for the securities industry agreed two weeks ago will increase their costs.

Philip Gawith reports on the world's largest natural resources group

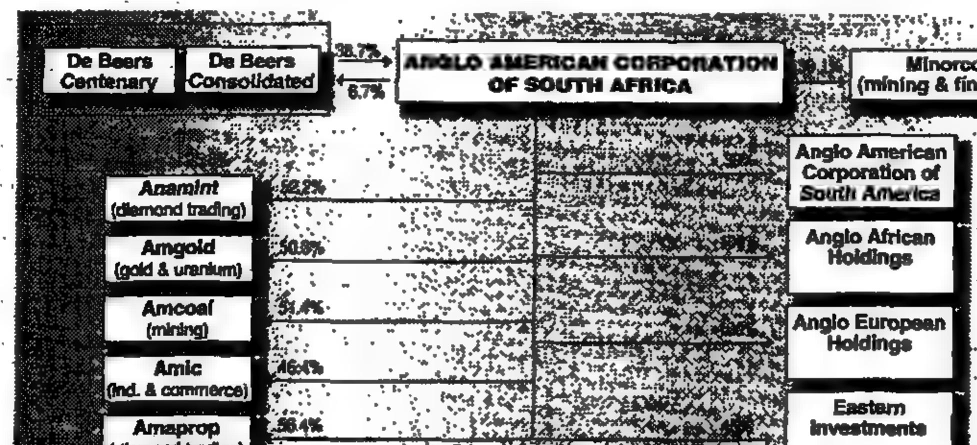
Anglo American sells itself to the world

Just when Anglo American Corporation, the world's largest natural resources group, decides to let in some light on its business, political events rudely refocus attention on whether investing in South Africa makes sense.

Anglo's first roadshow for international investors reaches London today after earlier performances in continental Europe. It has coincided with South Africa's descent into political crisis following the Boipatong massacre.

Mr Julian Ogilvie Thompson, Anglo's chairman, is phlegmatic about the timing: "Now is not an ideal time, but having said that, you're also not going to run away from it."

Anglo executives take comfort from the thought that the roadshow is intended to offer a longer-term view of the company's prospects. In its 75-year history, it has played a central role in South Africa's gold, platinum and coal mining industries, and in the development of local manufacturing.



It has also survived the difficult years of apartheid, isolation, and frequent tension with the government. Now the question is whether the group can flourish in the new South Africa.

Anglo itself is not in any doubt. As one analyst notes, its executives sometimes give the impression that, having headed off the threat from South Africa's Afrikaans speakers, they are confident they can cope with any challenge from the country's black community.

The future, however, will require satisfying domestic politicians and international investors. Critics say Anglo's inbred business culture will need to change. Mr Richard Stuart, analyst at stockbrokers Martin & Co, says: "The mood is not right for this massive, centralised company.

"Anglo American is pretty much an anachronism from an international point of view with its cross-holding structure rendering management basically unaccountable to shareholders."

Mr Ogilvie Thompson argues that being bid-proof allows Anglo *to take the long view,* "without having to bother that if your quarterly results aren't good enough Mr Kohlberg, Kravis and Roberts are going to come in and change the whole thing".

The complicated control structures reflect the fact that Anglo remains a family business. Although Mr Harry Oppenheimer, son of the founder, retired as chairman 10 years ago, his views feature prominently in this week's presentation. Mr Ogilvie Thompson is unapologetic about the family influence. "I think any chairman of Anglo who didn't consult on the major issues with someone who built the place up, someone that obviously has ability and who has a substantial shareholding, would be a fool."

Critics, however, say Anglo is run by too many polished Oxford-educated courtiers, for whom relations with the family matter more than commercial ability.

There are signs, however, that the group is changing. Anglo is discussing a possible bid for some European food assets with Royal *Group, an entrepreneurial South* African company, suggesting a new adventurism both in terms of partners and markets. Mr Leslie Boyd's appointment as a deputy chairman is evidence that an Oxford manner is not essential to rise to the top.

With its three main associates – De Beers, Johannesburg Consolidated Investment (JCI) and *Minorco – over which it has* effective control, Anglo's market capitalisation at June 1 of $22.4bn makes it the world's largest natural resources group. It controls 23 per cent of the *capitalisation* of the Johannesburg stock exchange, down from 30 per cent in 1990, when gold mines were doing better.

That size makes it a natural target for a future left-of-centre government, as South Africa moves towards majority rule. Anglo has years of contacts with opposition figures on which to draw for goodwill, but it is impossible to believe that a future government will not take some steps – such as taxation of inter-group dividends – to encourage unbundling.

In the meantime, analysts forecast a fairly flat earnings performance for the 1993 year. The best performance will probably come from financial services, with banking profits reasonably buoyant in South Africa, and interest income from Minorco, the overseas investment arm.

The main mining interests – gold, diamonds, coal, platinum and base metals – are not expected to show much change. Anglo owns stakes in some of the world's best mining assets. Its gold mines are second in quality only to Gold Fields; Vaal Reefs and Western Deep Levels are two of the richest gold mines in the world. Anglo has considerable exposure to diamonds through De Beers and Anamint; and it owns 24 per cent of Rustenburg Platinum, the world's largest producer.

Demand for these commodities is dependent on strong world economic growth, however. Slow growth in the past two years has held down profits, and there is no immediate prospect of an upturn.

Management has managed to keep gold production costs flat in nominal terms since the end of 1990, in spite of double-digit inflation. But the mines need a higher gold price to stop the inexorable profit squeeze. Gold contributed only 11 per cent to equity earnings in 1992 compared with 41 per cent in 1983.

Diamonds also need an upturn in the world economy, and a return of consumer confidence. An end to the gloom in Japan, which accounts for about a third *of diamond sales, is particularly* eagerly sought.

Anglo's industrial assets, held mainly through Amic, are not of comparable quality to its mining assets. Some, such as motor manufacturer Samcor, are in businesses where it is not easy to make money in South Africa. Others supply the mining industry and have suffered from their cutbacks. A company such as Highveld Steel is well regarded, but it also depends on improved stainless steel and vanadium prices.

Anglo is a core holding in any institutional portfolio in South Africa, partly because of its dominance of the local economy, and partly because its exposure to commodities offers a hedge against rand depreciation. It remains to be seen, however, whether its new interest in marketing itself overseas attracts a wider range of investors.

EQUITY ACCOUNTED EARNINGS

Business activity	%
Mining finance	21.6
Gold and uranium	9.4
Diamonds	24.5
Coal	5.4
Platinum, base metals and other mining	9.0
Industry and commerce	14.5
Financial services and property	8.5
Investment earnings	93.7
Surplus on realisation of investments	7.2
Other net revenue	5.5
Prospecting	(6.4)
Total	100

Source: Annual report

BAe in talks with Taiwan Aerospace

By Daniel Green in London

BRITISH AEROSPACE is to have talks with Taiwan Aerospace on a possible joint venture to build regional jet aircraft.

Mr John Cahill, BAe's new chairman, is due in Taipei today as part of a drive to secure the future of its loss-making regional jet aircraft business.

Mr Denny Ko, Taiwan Aerospace president, said BAe was interested in the possibility of co-producing medium-range passenger aircraft for sale in China and other markets in the region.

The move is one of the strongest indications yet that Mr Cahill, who took up his post two months ago after a period of disappointing performance for BAe, intends radical changes for the company's loss-making businesses, such as the regional jet aircraft operation.

BAe has already held talks this year with the big three Japanese manufacturers – Kawasaki Heavy Industries, Mitsubishi Heavy Industries and Fuji Heavy Industries – over a possible partnership in regional aircraft.

The company's regional aircraft business has been in difficulties for some time.

"There are a number of our aircraft that have been built in anticipation of rapid delivery and have not been sold. The market is very soft right now," said BAe yesterday.

The possibility of a BAe link with Taiwan could ease the worries of the European Airbus consortium, the commercial aircraft maker in which BAe has a 20 per cent stake.

Airbus is concerned that BAe's talks with the Japanese companies could hurt the consortium's own efforts to establish a partnership with the three in research and development for a new 600-800-seat jumbo aircraft.

Taiwan's own interest in super jumbos faltered earlier this year when it postponed a decision over whether to be involved in McDonnell-Douglas' plans for a new 400-500-seat aircraft, the MD-12.

Taiwan Aerospace, 29 per cent owned by the Taiwan government, signed a preliminary agreement last November to buy up to 40 per cent of McDonnell's commercial aircraft operations for $2bn. However, the two sides failed to reach a final agreement.

Taiwan Aerospace is also in talks with Russia's aerospace industry and France's Aérospatiale on joint manufacturing, said Mr Ko.

GEC rises 1% and warns of job losses if EFA is cancelled

By Charles Leadbeater, Industrial Editor

CANCELLATION of the European Fighter Aircraft (EFA) could have serious consequences for the UK's General Electric Company's radar factories in Edinburgh, Lord Weinstock, managing director, warned yesterday after announcing a 1 per cent increase in pre-tax profits to £829m ($1.6bn) last year.

He said the company had not calculated how many jobs would be at risk, but GEC is planning to develop the EFA's radar on the basis that Germany may pull out of the project's production phase.

Lord Weinstock was confident that Britain's other EFA partners – Italy and Spain – would develop a fighter regardless of the German decision.

He said GEC's results vindicated its strategy of expansion in Europe through joint ventures with Alsthom of France (power engineering) and Siemens of Germany (telecommunications). GEC also has a joint venture with General Electric of the US in consumer appliances.

Profits from continental Europe rose 32 per cent to £199m, offsetting a fall in UK profits from £428m to £398m.

Operating profit rose 2 per cent to £702m for the year to March 31, on a £27m fall in turnover to £9.44bn, largely due to a strong performance from GEC-Alsthom. Improved profits from GEC's 50 per cent share in that venture helped profits in the power systems division rise 27 per cent to £157m.

Operating profit at GPT, the telecommunications joint venture with Siemens, rose £2m to £127m on a 10 per cent fall in turnover to £1.1bn. Better financial discipline at GPT also helped GEC's cash reserves rise sharply, from £528m to £876m. GEC has net cash of about £1.46bn.

The consumer goods joint venture with GE raised operating profits by £3m to £21m. Turnover fell £3m to £268m. Profits at electronic systems, which mainly comprises Marconi, the defence electronics subsidiary, fell £9m to £260m. The Picker medical equipment business improved profits by £6m to £32m, but profits at the office equipment and printing division fell by £9m to £17m.

The board is recommending a 5.2 per cent increase in the final dividend to 7.05p for a total of 9.6p (up from 9.25p). Earnings per share were unchanged at 18.6p.

Lex, Page 14; Details, Page 21; Market report, Page 31

WPP finalises debt refinancing

By Gary Mead, Marketing Correspondent

WPP, the international marketing services group, has reached agreement to swap a quarter of its $1bn of bank debt for equity.

Agreements signed yesterday with its 28-bank syndicate of lenders provide for 239.5m new *convertible preference shares* to be swapped for $271.6m of debt.

WPP announced on May 13 that it was seeking its second refinancing since April 1991.

The agreement, signed in the early hours of yesterday morning, must now be put to shareholders; they will receive a document outlining the proposals by July 12.

A banker involved in the deal said yesterday that "there was a bit of give from the banks at the last moment", which allowed a slightly improved offer for the holders of WPP's 213m convertible preference shares.

Under the terms agreed yesterday shareholders will be offered an improved rate of five times existing conversion terms, against roughly four times. There are also 60m ordinary shares issued. According to a banker speaking on behalf of WPP, the signed agreement could mean banks eventually holding 48 per cent of the group.

As part of the agreement, and *subject to shareholder approval* of the conversion of the existing convertible preference shares, the banks have also agreed to extend the deadline of the repayment of a $400m loan from June, 1993 to June, 1997, when a further $604m loan falls due. The banks have also agreed to provide new facilities of up to $150m for two years.

WPP is confident that the revised proposal will reduce resistance amongst disgruntled convertible shareholders, who at the start of June appeared to be preparing a united front against the original proposal's terms.

Under the terms of the deal such shareholders still stand to relinquish some $46m in accumulated *unpaid dividends* – WPP is unable to offer any dividend payments at least until June 1993 – and their 78 per cent of voting rights will become 32 per cent. WPP has consistently argued that it was not prepared to negotiate on the conversion terms.

WPP reported pre-tax profits of £56m ($104m) for 1991, down 36 per cent, on revenues of £1.2bn; without exceptional items, pretax profits were £38.36m.

Market report, Page 31

Banesto to sell cement group for Pta60bn

By Tom Burns in Madrid

CORPORACION BANESTO, the Spanish industrial holding group, is to sell Sanson, Spain's second-biggest cement group, for Pta60bn ($623m).

The Spanish group said that it would make a consolidated profit of Pta8bn on the disposal, the third major industrial sell-off in the past 18 months. Sanson was Corporacion Banesto's most profitable company last year.

Sanson is being sold to Apax, a Liechtenstein affiliate of Unifund, a Geneva-based financial holding company. Unifund, whose owners are Egyptian, controls Siam Cement, Thailand's biggest cement manufacturer, Cementos Lima of Peru and has banking interests in Mexico.

A senior Corporacion Banesto official said last night that Unifund had first expressed an interest in investing in the conglomerate a year ago and had signed a letter of credit for an option to buy Sanson last weekend. Unifund is being advised by JP Morgan of the US.

The surprise decision to sell Sanson comes two months after Banco Banesto launched a Pta12.1bn public share offering for the 40 per cent of Sanson that it did not already own. Mr Arturo Romani, chief executive of Corporacion Banesto, said at the time that the conglomerate intended to strengthen its position in the cement industry.

Corporacion Banesto said that the agreement with Unifund has been conducted "with enormous speed".

The conglomerate offered Pta10,000 per share to the minority equity holders compared with the Pta20,012 per share which Unifund paid for the group.

The cement company's earnings fell 36 per cent to Pta1.1bn in the first quarter of this year. However, this was double the amount returned by Acerinox, Corporacion Banesto's next largest earner.

Last year, Corporacion Banesto's net consolidated profits fell by 48 per cent to Pta12.6bn. In the first three months of this year, the conglomerate's top five companies lost Pta5.9bn, against 1991 first-quarter profits of Pta1.6bn.

SGS-Thomson turns in second-quarter profit

By Michiyo Nakamoto

SGS-THOMSON, the heavily indebted Franco-Italian semiconductor venture formed in 1987, made a profit in the second quarter of this year.

"We were profitable in the second quarter, even after interest charges, and we expect to be profitable in the third quarter," a company spokesman said. The group also hopes to be able to return to profitability for the whole year.

The company has returned losses for each year except 1989. It introduced restructuring measures in 1990, when it made an operating loss and a loss after tax of about $100m.

Last year, it reported an increased loss after tax of $102.6m, due in part to a hefty interest payment of $70m, but was able to report a slight profit at the operating level.

ST, which is owned jointly by Thomson-CSF, the French state-controlled electronics company, and IRI/Finmeccanica, the Italian state-owned holding group, is ranked third-largest among European semiconductor manufacturers in revenue terms by Dataquest, the high-technology consultancy.

The group has, however, shouldered a heavy debt burden which totalled $900m last year, and it has been expected that ST would need a capital injection from the French or Italian government.

Asko in DM413m write-off for year

By Andrew Fisher in Frankfurt

ASKO, the expanding German retail group, took a DM413m ($258m) write-off last year on the value of its holdings in other companies and is paying no dividend, although its main activities turned in a sharply higher operating profit.

The company said that DM200m of the provisions related to its stake in Adia, the Swiss employment and services agency which was formerly owned by the stricken Omni group of financier Mr Werner Rey.

Adia is now controlled by Asko and Mr Klaus Jacobs, the Swiss businessman.

A further DM45m of the write-offs was in Lonrho, the UK company. The result of the provisions was to reduce Asko's group net profits from DM282m to DM6m.

At the operating level, Asko turned in sharply higher profits of DM681m against DM421m. Cash-flow was DM800m after DM494m last time.

For this year, Asko said it expected operating profits to be similar to those of 1991. Restructuring at the self-service department stores and the setting up of its TIP discount chain had eroded profits early in the year, however.

Group sales in the first four months rose by 12 per cent, but Asko gave no figures. In 1991, turnover was DM18bn (DM10.9bn).

Shares of the company were suspended on Monday pending the announcement of the write-offs and the decision to pay no dividend after last year's distribution of DM17 per voting share and DM19 per preference unit.

Asko has said it intended to concentrate in future on its main store, food, do-it-yourself, furniture, and clothing activities and shed peripheral operations. It is opening 65 new stores this year.

Playing politics with a country's top jobs

Alice Rawsthorn on the last phase of the French cabinet's review of the corporate elite

WHEN Mr Pierre Bérégovoy, the French prime minister, contemplated the latest three-yearly review of the top jobs at France's state-controlled companies, he made clear that he did not envisage any dramatic changes.

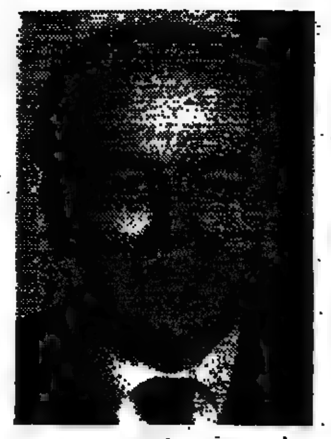
His reasons were clear. The general election is only a year away. Many of France's nationalised companies are struggling to adjust to intense international competition. The last thing the French premier wanted was to add to that instability with by stiring controversy over government's role in industry.

Yesterday, Mr Bérégovoy's cabinet completed the third and final phase of the review, which encompassed the top jobs at 45 of France's state-controlled companies, including the two biggest banks, three large insurers, the gas and electricity groups, and a string of key industrial concerns ranging from Air France to Thomson electronics.

Mr Bérégovoy achieved the stability. The only changes in the financial sector concerned smaller banks, such as Compagnie Financière du CIC and Société Marseillaise de Crédit. Most of the chairmen to lose their jobs in the industrial sector, apart from Mr Francis Lorentz of Bull, did so because they were about to pass the mandatory retirement age of 65.

But Mr Bérégovoy has been less successful at averting controversy. The background story of this summer's three-yearly review is a neat illustration of the pervading influence of politics over corporate life in France.


Francis Lorenz: lost his job at Groupe Bull


Jean-Yves Habérer: staying on at Crédit Lyonnais


René Thomas: staying on as BNP chairman

Initially, it had looked as though there would be changes at the top of at least one big bank, Banque Nationale de Paris, where the chairman, Mr René Thomas, 63, is due for retirement, and at an insurer, probably Groupe GAN, to create a job for Mr Daniel Lebègue, number two at BNP.

At one stage, it even seemed feasible that Crédit Lyonnais, the other big bank, would also lose its chairman, Mr Jean-Yves Habérer, because of the controversy over his aggressive strategy.

In the end, Mr Thomas stayed at BNP. His job is said to have been offered to Mr Jean-Claude Trichet, head of the French Treasury, who turned it down reportedly for fear of upsetting Mr Lebègue, his predecessor at the Treasury. Mr Thomas, a close friend of President François Mitterrand, was prevailed upon to postpone his retirement. This meant that all three insurers – Union des Assurances de Paris (UAP), Assurances Générales de France (AGF) and GAN – kept their chairmen as there was no need to make way for Mr Lebègue.

Meanwhile, Mr Habérer remained at Crédit Lyonnais despite the fact that one director abstained from the board's vote on his renomination. Mr Habérer had seemed vulnerable until March when his good friend, Mr Bérégovoy, became prime minister.

The changes in industry show the same pattern of political patronage. Mr Lorentz lost his job at Bull mainly because, like Mr Habérer, he had pursued a highly controversial strategy, but unlike the Crédit Lyonnais chairman, he had no powerful friends to protect him.

Mr Lorentz's dismissal prompted *Le Point*, the news magazine, last week to run a feature entitled "Les Présidents du Président", arguing that Mr Mitterrand's intervention was making a nonsense of Mr Bérégovoy's attempts to depoliticise the review.

Another controversy erupted this week when Mr Gilles Ménage was named as the new chairman of Electricité de France (EDF), replacing the retiring Mr Pierre Delaporte. Mr Ménage, 49, is the head of President Mitterrand's private office. The EDF trade unions immediately protested against his appointment.

Despite the rows over Mr Lorentz and Mr Ménage, the concept of political control over industry is so well-entrenched in French society – where the state sector represents 12 per cent of the economy according to the Organisation for Economic Co-operation and Development – that there is no groundswell of demand for radical reform. However, there are signs of pressure for moderate changes within the system.

Mr Michel Sapin, finance minister, recently suggested that the three-year tenure should be extended to five to give more continuity to the public sector. The pressure for change is likely to intensify as the government proceeds with its privatisation programme and is certain to accelerate if the right returns to power next year and accelerates privatisation.

Even some of the state chairmen favour changes. Mr Jean Peyrelevade, who has just been renominated for the top job at UAP, recently said he believed nominations should be left to the board, not to the government. However, he did add, with the self-confidence typical of France's corporate elite, that "the same people would probably end up in charge anyway".

Hafnia Holding shares suspended

By Hilary Barnes in Copenhagen

HAFNIA Holding, the embattled Danish financial services group, yesterday asked for its shares to be suspended while police investigate transactions by a senior manager on the company's behalf.

The suspension came a day before subscriptions open for the group's rights issue, which is intended to raise DKr2bn ($341m) to stabilise the group's financial position.

The group's equity capital has been virtually exhausted, partly as a result of the unsuccessful attempt last winter by Hafnia and Norway's UNI Storebrand to acquire control of Skandia, Sweden's largest insurance company, and by falling bond and share prices in Denmark this summer.

Hafnia's latest problem was discovered when it was called on to redeem options to buy shares in Interbank, a small bank owned by the listed professional soccer club, Brondbyernes Fodbold.

The purchases of Interbank shares were intended to secure loans from financial houses to the football club, according to Hafnia.

The options, for a sum totalling DKr288m, were established without the knowledge of the directors, Hafnia said.

The deputy general manager responsible for the deal has been dismissed and police have been asked to investigate the transactions.

The options were made at a share price which is higher than the intrinsic value of Interbank, a difference amounting to DKr35m to DKr45m, said Hafnia.

Heavy loss at Sodiaal

By Alice Rawsthorn

THE PROBLEMS of France's dairy industry were highlighted yesterday when Sodiaal, one of the largest dairies, announced heavy losses for last year and joined forces with Bongrain, one of its competitors, to rescue Union Laitière Normande, an ailing dairy co-operative.

Sodiaal, which owns the Yoplait yoghurt brand, managed to reduce its net losses from FFr347.2m in 1990 to FFr227.6m ($44.4m) in 1991 on turnover which rose from FFr17bn to FFr17.5bn over the same period.

The French dairies have come under pressure because of structural changes in the agricultural sector and the slowdown in the economy. They have also been affected by greater competition from other food companies.

Dairies face further pressure due to the concentration of ownership in French food retailing which has seen a series of mergers culminating in last month's takeover of the Rallye supermarkets by Casino retail group.

INTERNATIONAL COMPANIES AND FINANCE

Hughes Aircraft to cut workforce by over 9,000

By Nikki Tait in New York

HUGHES Aircraft, part of General Motors and the leading US defence electronics group, is to axe over 9,000 jobs, or 15 per cent of its workforce, during the next 18 months. The move accompanies a significant overhaul of the company's production facilities and business lines.

The restructuring – blamed partly on cuts in defence programmes and partly on the weak economy – will result in an after-tax charge of $749.4m, to be taken in the second quarter of 1992. Hughes said that about 60 per cent of this figure related directly to the consolidation or elimination of certain facilities.

Another 20 per cent – about $150m – is to cover redundancy payments and other expenses. The rest relates to the costs of rationalising some product lines, business and other assets.

Hughes did not disclose which specific businesses and plants would be closed or merged. It merely stated in broad terms that "a major facilities consolidation" was being undertaken. But the company did make clear that it was still planning to sell or close some businesses "that are no longer considered strategic to our growth".

A year ago, Hughes announced organisational changes designed to put more emphasis on commercial markets and lessen the company's dependence on Pentagon contracts. US defence spending has been falling at around 5 per cent a year, while Pentagon contracts still accounted for about 70 per cent of Hughes sales. The company has said it would like to reduce this to around 50 per cent.

The bulk of the jobs lost will be in southern California, where two-thirds of Hughes' 60,000-strong workforce is based.

Hughes added that there would be a further $40m charge on earnings, because of a change in the way it recognises revenues from some of its commercial businesses. This, it said, would be more consistent with the practices in those industries.

● Northwest Airlines, the heavily-indebted US carrier, said it was cutting 250 management jobs out of a total of 5,000, agencies report.

● Boeing, the US aircraft maker, said it was in talks with China about possible new aircraft orders this year, writes Alan Friedman in New York.

The company also sought to play down the significance of a $1.2bn deal announced on Monday by McDonnell Douglas to co-produce 40 commercial aircraft in China. Boeing, a rival of McDonnell Douglas, termed the McDonnell deal a mere "follow on" to previous orders.

Boeing declined to elaborate what new orders it may receive from China's airlines. But it said that by the end of the year more than 100 Boeing aircraft would be operating in China.

Chrysler's debt talks advance

By Patrick Harverson in New York

CHRYSLER'S negotiations with its bankers over the rescheduling of more than $6.8bn of the company's debt should be concluded this month, according to Mr Lee Iacocca, the chairman.

Talks were "going very well," thanks to some of Chrysler's newly-launched vehicles and improving sales outlook, Mr Iacocca said.

An agreement should be reached by July 30, but could be finalised sooner.

Mr Iacocca said the company was ready to operate profitably selling between 2m and 2.5m vehicles a year over the next five years.

● General Electric of the US said it hoped by 1995 to have between 5 and 10 per cent of the world market in small motors for use in residential heating, ventilation and air-conditioning (HVAC) systems, writes Alan Friedman in New York.

Reorganisation at O&K will cost more jobs

By Andrew Baxter

ORENSTEIN & Koppel (O&K), the big German construction equipment and escalator producer, is to reduce its workforce by 780, or 9.5 per cent, and streamline its management as part of a reorganisation plan unveiled in Dortmund yesterday.

The shake-up will reduce O&K's workforce to 7,400, and comes on top of about 1,000 job cuts last year. It follows the approval by shareholders in Hoesch, the German steel group which owns 75 per cent of O&K, of the long-awaited takeover by Fried. Krupp.

The reorganisation, as disclosed in the Financial Times earlier this week, includes the sale of O&K's plant and systems division to Hoesch. The division will be combined with its counterpart at Krupp Industrietechnik.

O&K said yesterday that the reorganisation and new corporate strategy was aimed at ensuring "the long-term and permanent strengthening and stabilisation of the company."

The company admitted that its expansion during the 1980s had led to "dissipation and heavy burdens on the capital structure and personnel resources."

Coupled with the sharp fall in the US dollar and the big recent decline in the western European construction equipment market, this has forced O&K to concentrate on its traditional strengths.

A new slimmed-down management structure will remove two levels of management. In addition, Mr Dieter Schneider and Mr Wolfgang Starke will join the O&K management board from Hoesch.

O&K had total sales last year of DM2.38bn, from DM2.41bn in 1990, and will report a loss for 1991 because of heavy restructuring costs and provisions. Sales of the new-look O&K are expected to reach DM1.8bn to DM1.9bn this year.

South Africa to change control of airports

By Daniel Green

SOUTH Africa is to take its Airports and air traffic services out of direct government control and into two new companies.

Mr Piet Welgemoed, South Africa's transport minister, will today announce the approval of proposals for the commercialisation of nine airports and air traffic and navigation services, said Price Waterhouse, the London accountancy firm which helped draw up the proposals, yesterday.

The South African government will remain the sole shareholder in the companies but both will be run on a commercial basis. The government should be able to phase out its subsidies, said Price Waterhouse.

The biggest of the airports, Jan Smuts at Johannesburg, handles about 12m passengers a year, comparable with Geneva airport.

Eight other airports will also be affected, including those at Cape Town and Durban.

South Africa is an increasingly popular destination for air traffic: over the past year, 25 airlines which had not previously offered flights to the country applied for access rights.

Legislation will have to be passed before the proposal can proceed. "This could happen by the spring of next year," said Mr John Wright, who is head of regulation and competition services at Price Waterhouse.

A regulation committee will be established by the South African government for the two companies, but will not have authority to intervene in the everyday running of their affairs.

Airports and air services are currently run as part of a government department. Mr Wright said that the move was not a prelude to any privatisation.

The proposals to run them on a more commercial basis have been drawn up since June 1991.

Healthy market for pharmaceuticals

Emiko Terazono on the growing accessibility of Japan's drugs sector

AFTER years of sitting in the back seat, the world's leading pharmaceutical companies operating in Japan have started to gain presence in what used to be one of the most introverted sectors in the country.

Until recently, Japanese drug companies had the market virtually to themselves, with imports accounting for less than 10 per cent of total sales. However, recent falls in asset values, along with industry restruction, have created chances for international drug companies to expand their Japanese operations.

The country's drugs market, the second-largest in the world after the US with annual sales of Y6,000bn ($47bn), holds substantial potential for further growth as the population ages rapidly and Japanese consumers become increasingly health-conscious.

Mr Thomas Hofstaetter, executive managing director at Hoechst Japan, says: "For a pharmaceutical company to be truly global, it must maintain presence in US, Europe and Japan." However, until recently, most foreign companies, lacking distribution networks, were forced to rely on tie-ups with Japanese companies.

Although acquisitions by leading foreign companies date back as far as 1983, when Merck of the US purchased 55 per cent of Banyu Pharmaceutical, a medium-sized listed company, such cases were rare. The recent fall in the stock and real estate markets have triggered activity among foreign drugs companies.

Earlier this year, Pfizer, the US drugs and chemicals group, announced plans to buy Koshin Medical, a privately-owned medical equipment distributor, for an estimated Y3bn. Last year, Monsanto of the US acquired 12 per cent of Hokuriku Pharmaceuticals for Y14.5bn, and Roussel Medica merged with Morishita Pharmaceuticals.

Other leading European drug groups have also shown interest in purchasing Japanese companies. Bankers point out that some smaller Japanese drugmakers and wholesalers are welcoming foreign drug companies which have comparative advantages over their Japanese counterparts.

The price cuts by the Ministry of Health and Welfare, implemented every two years from 1981 and averaging from 10 to 15 per cent, have squeezed profits at drug manufacturers. The small and medium-sized companies, which lack new innovative drugs, face increasing difficulties.

Japanese drug wholesalers have also been forced to change their business strategies due to the price cuts. In the past, the manufacturer and wholesaler had special *keiretsu* – corporate grouping – type relationships. However, the price cuts are continually depressing profit margins, and wholesalers now need to distribute a wide range of products, rather than those of one manufacturer.

TOP TEN FOREIGN DRUG COMPANIES IN JAPAN

	1991 sales (Ybn)	%change on year
Banyu (Merck)	105.1	+4.8
Bayer	91.2	+7.8
Hoechst Japan	77.1	+3.6
Sandoz	75.4	-2.6
Schering	59.3	+6.5
Pfizer	57.5	+14.1
Ciba Geigy	50.5	+1.3
Glaxo	43.2	+4.3
ICI	39.0	+4.3
Roche	37.0	+14.7

Figures for are as of Dec 91, except Banyu (Mar 92) and Glaxo (June 91).
Source: Nikkei Sangyo Shimbun; James Capel

Last April, Japan's Fair Trade Commission banned manufacturers and distributors from manipulating drug prices, and that has also broken the cozy their relationship.Mr Kenji Wakamatsu, at Sandoz Pharmaceuticals, says: "Since wholesalers have more freedom it's much easier for foreign companies to establish ties."

Foreign companies that entered the Japanese market early have started to set up their own sales and marketing operations. Sandoz, which entered the market in the 1960s through a distribution tie-up with Sankyo, the second-largest Japanese drugsmaker, set up its own distribution network in 1990. Bayer also ended its sales tie-up with Takeda, the industry leader, in 1990.

Mr Hofstaetter, at Hoechst says the key to success is to have a number of strong products.

Bayer's Adalaat, a calcium antagonist, posted sales of over Y50bn last year, becoming the second best-selling drug in Japan. Nippon Roche's Furtulon, an anti-cancer agent, is also seeing brisk sales. Mr John Wilson, pharmaceutical analyst at James Capel in Tokyo, says: "Japan is a profitable market for foreign companies, since they already have effective drugs and do not need to spend a fortune on research and development."

Many foreign companies are in final stages of setting up full operations with production, sales, and research and development. Bayer is investing Y20bn in its new research centre, while Sandoz expanded its production plant north of Tokyo and expects its new Y15bn research laboratory to be completed next year.

In contrast to foreign car and electronics makers, foreign drug companies, which hold about 20 per cent of the market, say they are treated equally with the Japanese.

One problem which remains is clinical testing for new drugs, where foreign companies must present data from clinical trials in Japan. However, the Ministry of Health and Welfare is loosening its grip as more Japanese companies venture abroad, and with some drugs, overseas data from pre-clinical tests are accepted.

Warburg trims Japanese costs

By Stefan Wagstyl in Tokyo

SG WARBURG, the UK securities group, is pulling out of making markets in London in Japanese equity warrants, a business which has suffered badly in the wake of the slump in the Tokyo stock market.

The move is the latest step in a steady trimming of costs in Warburg's Japanese equity operations, including a reduction in the number of staff employed by 31 to 111 over the past year.

Like other brokers, Warburg has been hit by the sharp decline in prices and volume in the stock market which began in early 1990.

In the changes announced yesterday, four people in London have lost their jobs and two others are being transferred to other work.

Two remaining traders will continue to trade in London but they will not make markets. Warburg will continue to trade warrants in the Tokyo markets.

Christopher Purvis, branch manager of Warburg's Tokyo office, said Warburg has been "refocussing" its Japanese operations. It had pulled out of making markets in warrants in London because the decline in turnover had made the market illiquid.

Warburg is the third company to have pulled out of market making in warrants in London.

The other companies were Kleinwort Benson, of the UK, and Merrill Lynch, the US broking group.

About 12 market makers are left, including the Big Four Japanese stockbroking groups and several British and American companies.

Aetna to take $45.7m charge

AETNA Life & Casualty, one of the largest US insurance companies, warned yesterday that it will take a $45.7m charge against its second-quarter earnings,because of indirect involvement in the Olympia & York situation, writes Nikki Tait in New York.

The insurer faces obligations under a surety bond issued by its Aetna Casualty and Surety Company subsidiary, causing Aetna to pay $20.75m to holders of Eurobonds issued by O&Y to finance its 55 Water Street property in New York yesterday.

Launch set for Italy's first futures market

By Tracy Corrigan

ITALY'S first futures market will start trading between July 10 and July 15, according to officials at the Bank of Italy.

The Mercato Italiano Futures (MIF), the Italian futures exchange, was originally scheduled for launch in the first half of 1992, but technical problems have delayed the start-up, according to dealers.

Instead of trying to create an exchange from scratch, the Italian government bond futures market is being added to the existing screen-based system used for trading the underlying bond market.

The Telematico system, started in 1988, helped revive interest in the Italian bond market, which has since drawn increasing numbers of foreign investors, attracted by high interest rates and the prospect of falling yields and rising prices in the run up to European Monetary Union.

Some dealers believe that the Italian authorities may have missed the boat. The London International Financial Futures and Options Exchange (Liffe) launched a highly successful Italian government bond contract last September, which saw off a rival contract launched by the Matif, the Paris-based exchange, at the same time. The Liffe contract traded an average daily volume of 29,000 contracts in June, substantially higher than in previous months.

In addition, the Italian bond market has just come through a period of high volatility following Denmark's rejection of the Maastricht treaty. On June 3, just after the referendum, nearly 68,000 Italian bond futures were traded.

But the signs are that MIF will be able to attract a fresh source of investors domestically.

The Liffe contract has been actively traded by international investors, but dealers say many Italian banks and institutions have been waiting to use the Italian market.

In addition, the new market is attracting some interest among retail investors. According to the Bank of Italy, the Telematico system has now been fully adapted, and is undergoing tests.

There will be 22 marketmakers in Italian bond futures on the Telematico system, which consists of more than 200 screens throughout Italy, according to the Bank.

The contract is very similar to the Liffe future: the MIF contract size is L250m, compared with L200m for the Liffe contract, based on 8-10 year Italian government BTP issues.

Japanese exchanges plan to form secondary market

FIVE regional stock exchanges in Japan plan to set up a secondary stock market with easier listing requirements, Reuter reports from Tokyo.

Officials said the exchanges, in Sapporo, Niigata, Kyoto, Hiroshima and Fukuoka, would accept listing applications from today. They expect to see the first listing on the new section by the end of this year.

The listing criteria will be the same as for the new second section of the Osaka Securities Exchange, which requires companies to have at least 1m shares outstanding and at least 300 shareholders at the time of listing.

At present, companies that want to list on the ordinary sections of the regional exchanges must have at least 2m shares outstanding and 400 shareholders. Stricter profit and dividend criteria also apply.

Japan has eight stock exchanges, Tokyo, Osaka and Nagoya plus the five regional exchanges.

Hitachi and IBM reach computer printer deal

By Steven Butler in Tokyo and Michiyo Nakamoto in London

INTERNATIONAL Business Machines (IBM), the US computer company, and Hitachi, the Japanese electrical machinery maker, have reached agreement on joint development of computer printers for business use, the two companies said yesterday.

Details of a final deal are being negotiated between Hitachi Koki, part of the Hitachi group, and Pennant Systems, an IBM subsidiary responsible for developing, manufacturing and marketing printers which was created during the restructuring of the US company last year.

The latest deal between the two will lead to their first joint development of printers, although Hitachi already supplies Pennant with the core engine for its systems printers.

The aim of the agreement will be to reduce product development costs, as well as to expand marketing channels for jointly-made products.

The office printer market is undergoing a shift away from large, centralised printing systems to smaller, departmental systems which are cheaper andmore flexible with more features. It is also becoming increasingly price-driven, according to BIS Strategic Decisions, the high-technology market consultancy.

IBM, a market leader for systems printers, is also a dominant player in the centralised systems market which is being eroded by this trend.

Hitachi has considerable expertise in the manufacture of printer engines, but mostly sells printers on an original equipment manufacture (OEM) basis.

Correction
Singapore Airlines

SINGAPORE Airlines has reported net profits of US$576.3m on revenue of US$3.36bn for the year to March. The FT yesterday incorrectly reported these figures as Singapore dollars.

Spain brings a succulent fruit to market

Peter Bruce on the country's plan to push on with privatising public sector banking

SPAIN is considering ways of relaunching the privatisation of the huge public sector banking operations which it brought together a year ago under the name of Argentaria.

There is a lot at stake. In terms of assets, Argentaria outweighs all the private sector banks combined. Its collective loan portfolio totals some $65bn. At book value, the group is worth about $5.5bn.

Madrid wants Spain to have a bank capable of fighting its corner in a united Europe where big British, German and French groups are capable of forming powerful lobbies to mould Community banking regulations.

The government is concerned that Spain's private sector banks may never achieve the critical mass needed to compete on an equal footing. In Argentaria, Madrid believes it has created the ideal weapon.

Argentaria consists of all the public sector financial institutions, including Banco Exterior, the post office savings bank, and the publicly-owned industrial, mortgage, agricultural and municipal banks.

A flotation planned for last year, designed to reduce the state's ownership in Banco Exterior from 69 per cent to 51 per cent, was halted after Mr Francisco Luzon, Argentaria's president, began to have serious doubts about its implications.

Mr Luzon is determined to shed Argentaria's image as a bloated public sector institution too closely linked to government policy. He is searching for a balance between public and private ownership that will force Argentaria to be competitive while not abandoning its role as a national flag bearer.

He has to decide whether to float part of the holding company. Argentaria, which is 100 per cent owned by the state, or a further tranche of Banco Exterior which is 69 per cent owned by Argentaria. A third possibility would be to buy back the 31 per cent privately-held minority in Exterior and then sell Argentaria.

One of Mr Luzon's problems in designing a flotation is that if he opts for pressing ahead with Exterior only, it would rob Argentaria of its most valuable and best-known asset and make a later flotation of Argentaria much more difficult, if not impossible.

However, the problem with trying to sell part of Argentaria is that hardly anyone knows what it is. "I would like to privatise as soon as possible," says Mr Luzon, "but it would be absurd to take Argentaria to the stock market this year. We still have a lot of value to add."

And even if, as he hopes, a first partial privatisation can occur next year, it will be small. The point here is that the local markets are simply not big enough to absorb the group. "I would need four years to privatise just 20 per cent of Argentaria," says Mr Luzon.

"If Spain does not make it to the top banking table in Europe it will be very serious indeed," he says. "Europe is going to be nationalist for a long time."

Adding some of the bureaucratic state banks to a streamlined Exterior has not been easy. BCI, for instance, had been forced by the state to take big positions in hugely unprofitable industries. Mr Luzon found himself, when Exterior absorbed BCI, owner of Pta50bn of convertible bonds in a troubled Basque steelmaker. He offloaded them back to the government.

'If Spain does not make it to the top banking table in Europe it will be very serious indeed. Europe is going to be nationalist for a long time'

He is also in the process of tracking down about 50 fishing trawlers, spread around the Atlantic, built with BCI credits which have never been paid back. He wants the money, not the boats.

Plucked from the upper echelons of Banco Bilbao Vizcaya in the late 1980s to run Exterior, Mr Luzon has spent the last year developing unified computer systems for "his" new banks and selling unnecessary office space.

He says many of the institutions pooled into Argentaria are rich in hidden assets but have been poorly run. The Caja Postal, for instance, owns most of the post offices in the country.

One of the problems in designing a flotation of Argentaria, Mr Luzon says, has been that he does not know for sure how much it is worth. "At least Pta800bn ($84bn)," he says, adding about Pta300bn to its book value. The group's other fundamental problem is that while the bulk of its loans are long term and either guaranteed by the state or secured against assets, its financing is basically short term, making it vulnerable to interest rate movements.

Mr Luzon says he expects the group to make pre-tax profits of Pta100bn this year after Pta78bn in 1991. First-quarter figures for this year, show pre-tax group profits of Pta24.8bn. They also reveal a return on assets of 0.8 per cent and a return on equity of 14.42 per cent, both significantly below the average of Spain's top five banks.

Closing that gap will be a slow process, but Mr Luzon says he is about to start a campaign to introduce Argentaria to the kind of small shareholder he wants to attract when the privatisation process begins. The smaller the better because one of the key elements in any offering of shares inside Spain will have to be a mechanism to keep other Spanish banks from buying Argentaria shares.

Spanish banks are traditionally the biggest players in the local stock market. If Argentaria is as succulent a fruit as Mr Luzon says it is, rival banks would be strongly tempted to to take positions in it.

That would throw a considerable spanner into Mr Luzon's grand design. But how will he encourage a small shareholder to hang on to the shares? "We will have to give them presents," he says.

Australian Gas Light in asset value write-down

By Bruce Jacques in Sydney

AUSTRALIAN Gas Light (AGL), the Sydney-based fuel supplier, has joined the growing list of Australian companies writing down the value of their assets in depressed market conditions.

Following blue-chip Australian groups like CSR, Western Mining and Westpac AGL has written down property and pipeline assets by A$33.8m (US$25.40m).

AGL directors said yesterday A$15.5m of this sum would be taken as an abnormal loss in the June 30 accounts, with the balance of A$18.3m as a charge against assets. The write-downs are based on independent valuations which followed property sales in the latest June year totalling A$53m.

● Burns Philp, the Sydney-based food technology company, has signed an agreement to increase its interest in Applied Microbiology, the US biotechnology company, from 18 to 63 per cent for an undisclosed sum.

Based on recent quotations on Nasdaq in New York of US$4.75 a share for Applied, the deal would be worth about US$44.2m.

As part of the transaction Applied will acquire all outstanding shares in Burns Philp's UK-based preservative maker, Aplin & Barrett, for a value of A$53m.

Foster's Brewing considers making rights issue

A RIGHTS issue is one option to raise profitability at Foster's Brewing, the Australian brewer, says Mr Koichiro Iwaki, managing director of Japan's Asahi Breweries which holds a 19.99 per cent stake in Foster's, Reuter reports from Tokyo.

"Foster's is considering what should be done to improve its balance sheet and raise profitability. I think a rights issue is one of the options and will be considered at the next board meeting," Mr Iwaki said.

Mr Iwaki is also deputy chairman of Foster's. He said Asahi had no plans to buy or sell any Foster's shares.

Foreigners find Japanese companies attractive

By Emiko Terazono in Tokyo

THE sharp fall in Japan's stock and real estate prices, and restructuring in Japanese industries, are making the country's companies more attractive to foreigners wishing to buy them.

Increasing numbers of Asian concerns have acquired Japanese corporations as declining profits have pushed them into the arms of large Taiwanese, Hong Kong, Korean and Singaporean groups.

Taiyo Fishery, a leading fishing company, sold Hayashikaneenkyo, a shipping affiliate, to Evergreen, the Taiwanese shipping company, while the Wingon Group, a finance and distribution group in Hong Kong, acquired 20 per cent of Seiyu, the Japanese retail chain.

In the first half of this year, the number of mergers and acquisitions of Japanese companies with overseas corporations surged 2.3 times from the previous year to 16 transactions.

The value of transactions fell 43 per cent to Y13.3bn ($105m) in the first half, according to Daiwa Securities.

The number of acquisitions by US companies rose to 10 from three in the same period last year, while purchases by European companies halved to two deals.

INTERNATIONAL CAPITAL MARKETS

Foreign investors stay away from Italian 10-year auction

By Sara Webb in London and Patrick Harverson in New York

ITALIAN government bonds plunged yesterday after international investors shunned the government's L2,000bn 10-year bond auction, leaving domestic buyers to take up the issue. The futures contract fell from its opening of 95.80 to a low of 94.95, before edging up to 95.00 by late afternoon.

GOVERNMENT BONDS

The Italian government bond market has been particularly vulnerable since the Danish referendum on Maastricht dealt a severe blow to hopes of convergence and forced investors to focus more closely on Italy's economic problems.

At yesterday's auction of 10-year fixed rate bonds, the bids amounted to L2,390bn. The Bank of Italy said the paper was assigned at a price of 95.50 per cent, down from 99.30 per cent at the last sale of the paper on May 29.

Elsewhere in continental Europe, German government bonds ended the day unchanged or slightly higher, lifted by the US Treasury bond market. Dealers said the market was lacklustre as participants were awaiting the outcome of talks on the 25 per cent withholding tax on investment income.

The French government bond market ended slightly firmer, but dealers said the market was held in check by the prospect of an auction of FFr9bn to FFr11bn of bonds.

The French government's announcement yesterday that the referendum on European monetary and political union would be held on September 20, had little effect on the market. However, dealers expect the French bond market to be vulnerable to opinion polls in the intervening period.

■ UK government bonds rallied by up to three-quarters of a point, helped by good demand for long-dated gilt issues and sterling's stability in the foreign exchange markets.

The gilt market started on a strong note, following an announcement that Electricité de France plans to buy back £250m of its sterling bonds, removing some supply from the market.

In addition, rumours circulated that an institution had switched a significant portion of its equity portfolio into gilts. Dealers reported lengthening trades and outright buying of long-dated issues.

The Liffe futures contract opened at 98.06 and traded up to 98.24 by late afternoon on above-average volumes of about 39,000 contracts. In the cash market, the 11¾ per cent gilt due 2003/07 climbed from 116¼ to 116⅞ to yield 9.20 per cent.

■ US Treasury prices bounced back strongly from early losses yesterday after a weaker-than-expected national purchasing managers' report buoyed interest rate cut hopes.

In late trading, the benchmark 30-year government bond was up ⅛ at 102⅞, yielding 7.752 per cent. The two-year note was up ⅛ at 100⅛, yielding 4.800 per cent.

Prices had opened weaker on a Market News Service report that members of the Federal Reserve's board had told a group of banking economists last week that an interest rate cut was unlikely so long as the economy maintained a steady, if modest, growth path.

The market rebounded, however, after the National Association of Purchasing Management announced that its index fell from 56.3 in May to 52.8 in June, and indication of slowing business activity nationwide.

The figures came while the Fed's policy-making Open Market Committee was meeting in Washington, and bond investors hope the NAPM numbers, plus today's June employment data, will persuade the Fed that the economy needs fresh monetary stimulus.

■ JAPANESE government bond prices climbed on hopes of an easing in interest rates, with cash and futures prices reaching their highest levels since February.

Dealers said speculation about a cut in interest rates has arisen mainly because of the fragile state of the Tokyo stock market and the Bank of Japan's recent tolerance of lower money market rates. The unsecured overnight call rate slipped 1/16 to 4 9/16 per cent yesterday.

The yield on the benchmark No 129 issue opened at 5.28 per cent and closed at 5.23 per cent, the high of the day. The September futures contract ended at 103.15, just off the high of 103.17 and up 0.20 on the previous day.

The Ministry of Finance plans to auction about Y300bn of 20-year government bonds today. Dealers expect a coupon of 5.9 per cent or 6 per cent.

BENCHMARK GOVERNMENT BONDS

		Coupon	Red Date	Price	Change	Yield	Week ago	Month ago
AUSTRALIA		10.000	10/02	107.7081	+0.488	8.84	8.84	9.10
BELGIUM		9.000	06/01	100.7500	+0.000	8.87	8.94	8.78
CANADA *		8.500	04/02	102.2000	+0.050	8.17	8.23	8.50
DENMARK		9.000	11/00	99.8250	+0.125	9.05	9.12	8.67
FRANCE	BTAN	8.500	03/97	98.0146	-0.109	9.01	9.03	8.73
	OAT	8.500	11/02	98.0300	+0.070	8.78	8.79	8.51
GERMANY		8.000	01/02	99.8500	+0.120	8.01	8.02	7.94
ITALY		12.000	05/02	94.9100	-0.570	13.34†	13.20	12.68
JAPAN	No 119	4.800	06/99	95.7441	+0.200	5.44	5.59	5.73
	No 129	5.400	03/00	106.4348	+0.349	5.23	5.33	5.53
NETHERLANDS		8.250	02/02	99.5400	+0.060	8.30	8.32	8.30
SPAIN		11.300	01/02	97.2500	-0.800	11.78	11.42	10.90
UK GILTS		10.000	11/96	102-27	+7/32	9.18	9.27	9.11
		9.750	08/02	104-07	+14/32	9.10	9.25	8.96
		9.000	10/08	100-27	+22/32	8.90	9.10	8.78
US TREASURY *		7.500	05/02	102-26	+8/32	7.08	7.23	7.40
		8.000	11/21	102-26	+10/32	7.75	7.85	7.91
ECU (French Govt)		8.500	03/02	97.2600	+0.080	8.92	8.95	8.55

London closing *New York closing. Yields: Local market standard

† Gross annual yield (including withholding tax at 12.5 per cent payable by non-residents.)

Prices: US, UK in 32nds, others in decimal. Technical Data/ATLAS Price Sources

Government bond markets suffer from Maastricht fallout

By Sara Webb

DENMARK'S vote against the ratification of the Maastricht treaty sent a shockwave through the European government bond markets last month, resulting in a decline in total return for the higher-yielding markets, according to J.P. Morgan.

Italy and Spain were the worst-performing government bond markets in June, registering falls of 1.26 per cent and 1.24 per cent respectively.

Denmark, France, Sweden and the UK also suffered a fall in total returns as the Danish referendum result took its toll on those markets which investors had thought had the most to gain from the convergence of interest rates.

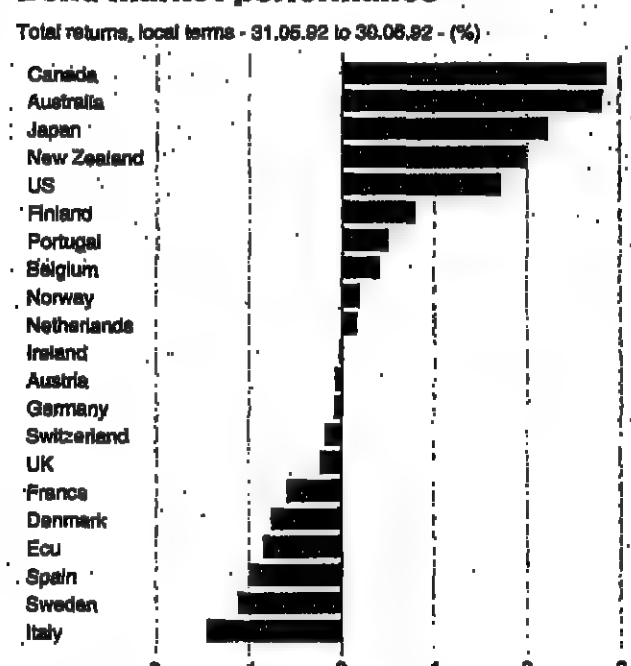
In the wake of the Danish referendum on June 2, dealers reported a switching out of high-yielding European bonds into the relative safety of the D-Mark bloc. However, in local currency terms, the D-Mark markets (Germany, Belgium and the Netherlands) still showed a fall in capital return. "No European market gave a positive capital return in June – only the inclusion of the month's accrual of coupon income lifted returns into positive territory," according to Kemper Investment Management Company, which tracks 21 bond markets worldwide.

The top performing markets in June were Canada (2.84 per cent), Australia (2.8 per cent), Japan (2.21 per cent), New Zealand (1.98 per cent) and the US (1.7 per cent) in local currency terms, according to Kemper. The dollar bloc benefited primarily from the uncertainty over the future of European economic and monetary union, and these five markets were the only ones to show positive capital returns. Australia and the UK were the top performing markets in the second quarter of 1992 in local currency terms, showing gains of 7.89 per cent and 6.34 per cent respectively.

US dollar-based investors saw the best returns from the D-Mark bloc bond markets during June due to the dollar's decline of over 5 per cent against most European currencies.

Bond market performance

Total returns, local terms - 31.05.92 to 30.06.92 - (%)



Source: Kemper Investment Management

Greycoat loan refinanced

By Tracy Corrigan

GREYCOAT, the UK property company, has completed the refinancing of Embankment Place, a central London office development, with a £125m fixed-rate syndicated loan secured on the property. The loan was arranged by Hypo-Bank and has been syndicated among German, Dutch and Swiss banks.

Earlier this year, Greycoat tried to refinance its £110m loan, arranged in 1987 to finance the construction of the development, through a £125m issue of 10-year discounted bonds. But the market was unreceptive and the issue was cancelled.

Mr Richard Guignard, managing director (finance), said that when a refinancing was first considered last year, rental income from the property was not sufficient to service a bank loan. But, with lower interest rates, annual net rental income of £15.3m now comfortably covers the annual £13.7m refinancing cost.

Two borrowers add to heavy supply of FRNs

By Simon London

TWO borrowers yesterday added to recent heavy supply of floating rate paper in the international bond market, BankAmerica and Asfinag raising $300m and $100m respectively.

INTERNATIONAL BONDS

The deals followed Monday's $1bn floating rate issue by Finland and a spate of other recent deals by US and European financial institutions.

Bankers said yesterday that a significant amount of paper from these earlier transactions remained unsold. In particular, recent issues by Italian banks have faced problems because of doubts about their credit quality. Last week, Instituto Bancario San Paolo di Torino, one of Italy's largest financial institutions, had its credit rating unexpectedly lowered by Moody's Investors Service, the US rating agency.

In contrast, BankAmerica is one of only a few banks to have its credit ratings increased. Debt issued by the bank holding company is rated A2 by Moody's and single-A by Standard & Poor's.

Lead-managed by Kidder Peabody, the paper issued yesterday is fungible with a $200m transaction launched in February, creating a liquid benchmark in the sector. The notes pay ⅜ per cent over the three-month London interbank offered rate, and were re-offered to investors at a fixed price of 99.80. At this level, the discounted margin is 42 basis points over Libor. In February, paper was launched at 50 basis points over Libor.

Participants reported steady buying rather than spectacular demand. By the close of trading in London, the notes were trading at 99.55 bid, inside full fees of 25 basis points.

The Asfinag paper carries the backing of the Austrian state and a top triple-A credit rating, but was considered tightly priced. The bonds pay ⅛ per cent over six month Libor, but subject to a cap of 6.5 per cent for the second year. The cap rises through the five-year life of the bonds.

Elsewhere, IBM International Finance launched a $300m fixed-rate deal, targeted at retail investors. The 5.625 per cent paper matures in 1995.

The deal, lead-managed by Credit Suisse First Boston, was expected to appeal mainly to Swiss investors with Eurodollar bond holdings maturing over the next few weeks.

The bonds were re-offered at a fixed price of 99.935, where the yield spread is 25 basis points over US Treasury bonds.

However, syndicate officials noted that the bonds carry a payment date – the date on which primary market purchases must be settled – six weeks ahead, an unusually long period for a Eurobond. This increases the cost of the bonds for institutional investors switching into the issue, since the proceeds of bond sales have to be held in cash for longer than usual.

The lead manager said the long payment date, designed to get better terms for the borrower in the interest rate swaps market, underlined the retail targeting of the deal.

NEW INTERNATIONAL BOND ISSUES

Borrower	Amount m.	Coupon %	Price	Maturity	Fees	Book runner
US DOLLARS						
IBM Intl.Finance(b)†	300	5.625	101.1225	1995	1.375/1.25	CSFB
BankAmerica(c)‡†	300	(c)	99.80	1997	25/15bp	Kidder Peabody
FEMSA(d)†	300	9.5	99.921	1997	1.25/0.75	Bear Stearns Intl.
Asfinag(e)‡†	100	(e)	100	1997	30/15bp	Creditanstalt Bank.
STERLING						
Euro.Coal & Steel Comm(f)†	30	9.875	103.69	2017	(f)	BZW
ECUs						
European Inv.Bk.(g)†	200	9	99.77	2002	(g)	Paribas Cap.Mkts.
SWISS FRANCS						
France Telecom(h)†	150	7.25	101.875	2002	-	Credit Suisse
ABN Amro(a)**†	50	9	100.80	1993	-	Swiss Volksbk.

**Private placement. §Convertible. ♦With equity warrants. ‡Floating rate note. †Final terms. a) Non-callable. b) Issuer has support agreement with IBM Credit Corp. Non-callable. c) Fungible with outstanding $200m issue launched Feb 1992. Coupon pays 0.375% above 3-month Libor. Non-callable. d) Full name of borrower: Formento Economico Mexicano SA. Coupon payable semi-annually. Non-callable. e) Interest uncapped in year 1 then 6.5% in year 2, 7% in year 3, 7.5% in year 4 and 8% in year 5. Coupon pays 0.125% over 6-month Libor and payable semi-annually. Non-callable. f) Fungible with outstanding £50m issue due 28.5.2017. Fees undisclosed. Non-callable. g) Fungible with Ecu350m deal launched 22.6.92. Fees undisclosed. Non-callable. h) Callable in 1999 at 101.25% declining 0.50% annually thereafter.

MARKET STATISTICS

FT/ISMA INTERNATIONAL BOND SERVICE

Listed are the latest international bonds for which there is an adequate secondary market. Closing prices on July 1

U.S. DOLLAR STRAIGHTS	Issued	Bid	Offer	Chg. day	Yield
[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]

OTHER STRAIGHTS	Issued	Bid	Offer	Chg. day	Yield
[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]

DEUTSCHE MARK STRAIGHTS	Issued	Bid	Offer	Chg. day	Yield
[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]

SWISS FRANC STRAIGHTS	Issued	Bid	Offer	Chg. day	Yield
[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]

YEN STRAIGHTS	Issued	Bid	Offer	Chg. day	Yield
[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]

FLOATING RATE NOTES	Issued	Bid	Offer	C.cpn
[illegible]	[illegible]	[illegible]	[illegible]	[illegible]

CONVERTIBLE BONDS	Issued	Conv. price	Bid	Offer	Prem.
[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]

* No information available - previous day's price
† Only one market maker supplied a price

STRAIGHT BONDS: The yield is the yield to redemption of the bid-price; the amount issued is in millions of currency units. Chg. day=Change on day.

FLOATING RATE NOTES: Denominated in dollars unless otherwise indicated. Coupon shown is minimum. Spread=Margin above six-month offered rate (three-month §above mean rate) for US dollars. C.cpn=The current coupon.

CONVERTIBLE BONDS: Denominated in dollars unless otherwise indicated. Cnv. price=Nominal amount of bond per share expressed in currency of share at conversion rate fixed at issue. Prem=Percentage premium of the current effective price of acquiring shares via the bond over the most recent price of the shares.

RISES AND FALLS YESTERDAY

	Rises	Falls	Same
British Funds	72	1	9
Other Fixed Interest	13	0	2
Commercial, Industrial	127	558	757
Financial & Property	79	233	482
Oil & Gas	8	26	54
Plantations	0	0	9
Mines	13	51	86
Others	30	50	49
Totals	342	919	1,448

LONDON RECENT ISSUES

EQUITIES

Issue Price p	Am'nt Paid up	Latest Renunc. Date	1992 High	1992 Low	Stock	Closing Price p	+ or -	Net Div	Times Cov'd	Gross Yield	P/E Ratio
–	F.P.	–	48	42	Brazilian Inv Tst	42		–	–	–	–
–	F.P.	–	22	21½	Do. Warrants	22	+½	–	–	–	–
–	F.P.	–	4	2	Brent Walker Wts to Sub	3		–	–	–	–
130	F.P.	–	148	143	Country Casuals	143	-1	W3.5	2.3	3.3	17.4
–	F.P.	–	32	21	Dwyer A	21		–	–	–	–
–	F.P.	–	106	103	Grosvenor Inns	103		H4.0	–	5.2	–
75	F.P.	–	90	79	‡Hughes (T.J.)	79		W2.25	2.2	3.8	16.3
110	F.P.	–	155	140	Industrial Control Servs	140	-5	R3.6	2.0	3.4	15.8
285	F.P.	–	290	287	Kenwood Appliances	287		W7.5	2.4	3.5	15.2
£104¼	F.P.	–	£121¼	£101½	Latin Am Inc & Appr. Ln	£101½		–	–	–	–
–	F.P.	–	41	34½	M & G Recovery Inc.	36½		F3.75	–	13.7	–
–	F.P.	–	25½	12¼	Do. Capital	17½	-1	–	–	–	–
–	F.P.	–	65	46½	Do. Geared Units	58½	-1	F3.75	–	8.5	–
–	F.P.	–	122	96	Do. Package Units	114		F3.75	–	4.4	–
–	F.P.	–	11	¼	Multitrust Warrants	11		–	–	–	–
§122	F.P.	–	138	133	Vega	133	-1	L2.29	1.9	2.3	20.0

FIXED INTEREST STOCKS

Issue Price £	Amount Paid up	Latest Renunc. Date	1992 High	1992 Low	Stock	Closing Price £	+ or -
[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]

RIGHTS OFFERS

Issue Price p	Amount Paid up	Latest Renunc. Date	1992 High	1992 Low	Stock	Closing Price p	+ or -
[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	-3

[illegible] Dividend and yield based on prospectus or other official estimates for 1991-92. H Dividend and yield based on prospectus or other official estimates for 1992. Q Gross. R Forecast annualised dividend, cover and p/e ratio based on prospectus or other official estimates. W Pro Forma figures. ‡ Offered to holders of ordinary shares as a "rights". ¶ Introduction. § Placing price. ¶¶ Reintroduction. ‡ Unlisted securities market. ♦ Issued in connection with reorganisation, merger or takeover. pm Price at a premium.

TRADITIONAL OPTIONS

- First Dealings June 22
- Last Dealings July 3
- Last Declarations Sept 17
- For settlement Sept 28

3-month call rate indications are also shown on this page.

Calls in Amber Day, ASDA, Bimec Inds., Burton, Enterprise Computer and Tarmac. Puts in Burton, Hi-Tec Sports, Kwik Fit, Owners Abroad and Suter.

LIFFE EQUITY OPTIONS

Option		Calls			Puts		
[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
Utd. Biscuits (*346)	330	[illegible]	34	39	3	8	11
	360	4½	[illegible]	22	16	[illegible]	[illegible]
Unilever (*930)	900	40	72	[illegible]	4	17	24
	950	11	[illegible]	57	24	38	43
Option		Aug	Nov	Feb	Aug	Nov	Feb
Brit Aero (*249)	220	38	43	50	[illegible]	15	23
	240	24	30	[illegible]	[illegible]	23	[illegible]
	260	[illegible]	20	30	20	[illegible]	45
[illegible] (*326)	330	[illegible]	20	27	20	23	30
	360	3½	12	16	44	45	50
Blue Circle (*216)	194	[illegible]	[illegible]	–	4½	8	–
	213	15	24	–	[illegible]	15	–
	232	7½	15	–	[illegible]	[illegible]	–
British Gas (*247)	240	19	22	29	6	12	14
	260	8	12½	18	17	23	25
[illegible] (*227)	220	16	26	31	12	15	18
	240	9	17	23	24	[illegible]	[illegible]

EURO FT-SE INDEX (*2496)

PUTS								
Jul	12½	28	50	86	134	184	234	284
Aug	27	43	67	99	139	186	236	286
Sep	35	52	75	105	143	189	238	288
Oct	42	62	82	110	145	198	238	288
Dec	50	-	97	-	157	-	243	–
Jun †	80	-	130	–	–	-	250	–

July 1 Total Contracts 45,144
Calls 18,746 Puts 26,398
FT-SE Index Calls 9,830 Puts 10,353
Euro FT-SE Calls 388 Puts 2,847
*Underlying security price. † Long dated expiry months. Premiums shown are based on closing offer prices.

TRADITIONAL OPTION 3-month call rates

Stock	p	Stock	p	Stock	p	Stock	p	Stock	p
■ INDUSTRIALS		Charter Cons.	37	Ladbroke	18	Sears	8½	■ OILS	
Allied-Lyons	49	Comm Union	34	Legal & Gen	29	SmKl Bchm A	60	Aviva Pet	25
Amstrad	6	Courtaulds	43	Lex Service	22	TI	56	BP	18
Astec (BSR)	3	Eurotunnel	32	Lloyds Bank	32	TSB	11½	Burmah Castrol	48
BAT Inds	58	FKI	6	Lonrho	12	Tesco	22	Conroy Pet	6½
BOC	53	FNFC	7	Lucas Inds	12½	Thorn EMI	63	Gaelic Res	½
BTR	35	Forte	19	Marks Spencer	27	T & N	11½	Premier Cons	2¾
Barclays	29	GKN	33	Midland Bank	30	Unilever	70	Shell	35
Blue Circle	24	Gen Accident	38	NatWest Bank	26	Vickers	15	Tuskar Res	½
Boots	34	GEC	17	P & O Dfd	37	Wellcome	75	■ MINES	
Bowater	60	Glaxo	52	Racal Elect	5½	■ PROPERTY		RTZ	47
Brit Aerospace	26	Grand Met	38	RHM	18	Brit Land	18		
British Steel	7	GRE	13	Rank Org	55	Land Sec.	30		
BT	25	Hanson	18	Ratners	3	MEPC	28		
Cadburys	38	ICI	98	Reed Intl	44	Mountleigh	1½		

Streamlined Granada rises 49%

By Raymond Snoddy

GRANADA, the leisure, television and computer services group, yesterday produced evidence of a recovery in its fortunes when it announced a 49 per cent increase in pre-tax profits to £57.2m for the 28 weeks to April 11.

The performance was marginally ahead of the result for the last full year to September 28 1991 when Granada's profits slumped from £120m to £57m.

Turnover was £674.5m (£721m including discontinued businesses).

Granada's share price rose 13p to close at 257p.

Mr Gerry Robinson, who was appointed chief last year, said the company had made real progress in simplifying its structure and in improving efficiency.

"We have much to do but I think we have made an encouraging start," he said. Mr Robinson aroused controversy when, earlier this year, he required the resignation of Mr David Plowright, chairman of Granada Television.

Tony Andrews

Gerry Robinson: a simplified and more efficient group

The company said that a 12 per cent increase in the underlying level of operating profit had been achieved by:

- a turnround in Granada Computer Services from a £3.6m loss to a £4.3m profit;
- higher profits from Granada Television – up from £14.9m to £18.3m;
- the disposal of the loss-making Canadian rental businesses.

The pre-tax result was also helped by a 44 per cent fall in interest charges to £19.3m following last summer's rights issue.

Mr Alex Bernstein, chairman, said there were few signs of economic recovery. "Against this background it is encouraging that our actions over the past year have started to generate positive results," he said.

The rental and retail businesses have been boosted by satellite television and Granada Leisure had been streamlined. Apart from businesses which had been sold Granada had about 2,000 fewer employees than a year before and now had about 20,000 staff.

Earnings per share rose by 15 per cent to 8.2p fully diluted and the interim dividend at 2.75p was up 10 per cent.

Analysts are predicting that Granada will make pre-tax profits of between £112m and £117m for the full year.

Mr Robinson said he foresaw considerable growth for Granada's computer maintenance business – which had been a lossmaker for the company. Granada was one of the largest independent operators yet had only 0.5 per cent of a world market worth $50bn (£27bn) a year. Acquisitions were likely in computer services once the company was sure the structure of the division was right.

Mr Robinson also said he believed that eventually there would only be five or six ITV companies and that if the rules allowed it Granada would be interested in taking over another large ITV company. At present large ITV companies are forbidden from taking each other over.

See Lex

In Shops drops plans to bid for Amber Day

By Andrew Bolger

Shares in Amber Day fell 9p to 41p after In Shops, the Birmingham-based stores group, said it had decided against proceeding with any offer for the discount retailer.

In Shops halted the recent slide in Amber Day's share price on Monday when it said it might make a bid. However, it decided against proceeding "after consultation with advisers and having taken account of the views of shareholders." In Shops shares closed 6p higher at 81p.

The much greater size of Amber Day meant that In Shops' expression of interest was greeted sceptically in the City. The potential bidder's institutional shareholders were reluctant to pursue Amber Day, which has seen its share price collapse from 126p following criticism concerning Mr Philip Green, chairman and chief executive.

Amber Day shares were also hit last month by a profits downgrading and the departure of the finance director and only non-executive director.

Price increases behind rise to £142m at Midlands Electricity

By Juliet Sychrava

MIDLANDS Electricity, the regional electricity company, yesterday rejected claims from a consumer organisation that its bumper profits of £67 per customer meant it should have frozen prices in April 1991, rather than increasing them by 10.9 per cent.

On a historical cost basis, Midlands' pre-tax profits for the year to March 31 were £142.1m, up some 30 per cent from the £109.7m reported for 1991. Turnover increased by 9.4 per cent from £1.33bn to £1.45bn.

The company said it had cut prices to consumers in real terms this April when it announced an increase of only 1 per cent. This was in spite of the fact that costs in its main electricity distribution business had risen 4.5 per cent over the year, said Mr Bryan Townsend, chairman.

The large increase in prices and profits last year arose because the company, like other regional concerns, had compensated for undercharging the previous year, Midlands explained.

The supply business, which buys and sells bulk electricity, earned the second highest profit reported by a regional company so far, at £8.3m.

Midlands improved operating profits in its retail and contracting businesses, which made £1.1m and £800,000 respectively, compared with £500,000 and £100,000 the previous year. The company's generation business made a £1.3m contribution.

Operating profit from the main distribution business improved by 36 per cent, as tariffs rose and controllable costs fell by 9.3 per cent or 4.7 per cent excluding interest reductions.

Some 460 jobs have been cut since April 1991, leaving a workforce of about 7,500.

The outlook for the business was good, Midlands said, as sales of electricity should grow by 0.5 per cent next year, and another 4 per cent is likely to come off the company's costs.

Earnings per share were 49p against 35.7p last time and a final dividend of 11.6p makes a total for the year of 17.25p (10.5p).

Analysts expect pre-tax profits of between £157m and £160m next year, putting the company on a prospective p/e of 6.8 to 7.5. A dividend of about 19p is forecast.

● COMMENT

Supply profits depend more on formulae set at privatisation than management acumen – give or take a little clever cost allocation. Even so, if Midlands can undercharge customers for supply by a cumulative £37m and still make money, it will keep return on capital down and please the regulator without penalising shareholders. Meanwhile, unlike several regional companies, Midlands has improved retail and contracting profits and is getting a small profit from its solid generation business. But while its modest investments in energy service and gas marketing look sensible, some City observers worry about the company's talk of investing in power stations overseas, especially when it still has some way to go on customer service standards at home.

Gresham House share price tumbles on loss

By Angus Foster

GRESHAM HOUSE, an investment trust specialising in the two areas recently most prone to pitfalls – property and unlisted investments – yesterday saw its share price collapse from 18p to 8p after it announced a second year of losses. Fifteen months ago the shares traded at 300p.

The company said late on Tuesday night that a collapse in dividend and interest income led to pre-tax losses of £8.87m in the year to December 31. This followed a loss of £16.7m 12 months earlier.

Mr Alfred Stirling, chairman and chief executive, said yesterday that a proposed re-financing under discussion with its banks was crucial to the company's future. "I think the worst will be over if we can sign up the re-financing deal. If we can't, I will be struggling again," he said.

Gresham is seeking the replacement of a short-term debt through the issue by Gresham House Finance of up to £8.5m of 2.5 per cent secured loan stock.

Gresham also said group net asset value, including property and other subsidiaries, had turned negative to minus 18p from 129p a year earlier. Net asset value of the actual investment trust, excluding subsidiaries, remained positive although its net asset value fell from 91p to 62p.

Gresham, which is unrelated to Gresham Trust, the venture capital company, is the second high-profile investment trust to hit trouble. Drayton Consolidated Trust, managed by Invesco MIM, wrote off over half the value of its unlisted assets in May.

Mr Stirling said dividend and interest income fell from £2.05m to £471,000 after Gresham was forced to liquidate "the majority" of its non-property portfolio to pay off debts. He said details on Gresham's net borrowings and gearing levels were not available. Interest costs fell only slightly to £2.64m (£2.91m).

He confirmed that Gresham was being sued for £1m in relation to the placing into receivership of a subsidiary. Court rulings have so far gone against Gresham, which intends to appeal to the House of Lords.

Gresham intends to continue disposing of investments and properties to reduce borrowings.

British Bio raises £30m via shares placing

By Paul Abrahams

BRITISH Bio-technology Group yesterday raised £30m before expenses via a placing of its shares, mostly in the UK.

The issue, the first flotation of a bio-technology company in London, valued the company at £151.8m.

The 7.06m shares were priced at 425p, right in the middle of the 400p-450p target range the Oxford company gave in its pathfinder prospectus.

They closed on their first day of trading in London up 25p at 450p.

They also traded in the US on the Nasdaq market.

"We are delighted to get away in such a difficult climate," said Mr Keith McCullagh, chief executive.

"This shows there is an exit route for venture capitalists investing in biotechnology and should encourage further investment in the sector."

Mr Henry Somerset, a director at Kleinwort Benson, the issue's lead manager and principal underwriter, said: "The situation at the Daily Telegraph . . . will have no effect on British Bio-technology. All of the stock has already been placed with institutions."

About 85 per cent of the placement was in the UK and 7.5 per cent in continental Europe.

Morgan Stanley is lead manager in the US, for which only 7.5 per cent of the stock was earmarked.

An additional 1.06m shares are available in the form of American Depositary Shares as a "green shoe" option to cover over-allotments or for price stabilisation.

Mr McCullagh said demand in the US had been below expections when the flotation had been planned in March.

US investors have shown increasing disenchantment with the biotechnology sector in recent months.

British Bio-technology now has £60m in cash reserves, following a private placement of £40m last year, said Mr McCullagh.

He said this should be sufficient to allow the company to bring its products to market.

It is concentrating on four therapeutic areas: inflammatory diseases such as arthritis; cancer; vascular and heart disease; and viral infections, including Aids.

It has two drugs in early clinical trials and trials on a third are expected to begin in August.

● Cantab Pharmaceuticals, the Cambridge-based biotechnology company, yesterday announced that it had sold 1m American Depositary Shares at $10 each.

Net proceeds after expenses will be between $8.5m and $9m.

The stock will be traded on Nasdaq.

The company said it would be looking for a London listing in the future.

Wellcome share price victim of 'bear raid by professionals'

By Maggie Urry

THE WELLCOME share price has been the victim of "a long-drawn-out bear raid by the professionals," according to Volume Analysis, a company which examines stock market trading patterns.

Shares in the drugs group have fallen sharply since Wellcome Trust, the medical charity, said in early March that it would reduce its stake from 73.5 per cent to under 50 per cent, and possibly to 25 per cent.

They were 1,126p before the original announcement and closed yesterday at 854p, down 15p on the day. They have fallen by 20 per cent more than the FT-SE 100 index over the period.

Last week Wellcome Trust said it planned to sell 330m shares, cutting its stake to 35 per cent. However, more shares could be sold.

There have been suspicions that institutional investors have been talking the price down or even selling shares with the aim of buying them back cheaper in the sale.

Mr Charles Wyatt of Volume Analysis said that last week, when the share price fell heavily, intra-market trade was nearly three times the volume of customer business. Normally the proportions would be the other way round.

He said this suggested professionals in the market had been "going short in size to bring the share price down" prior to the sale.

Germany allows anti-viral drug to be sold without prescription

By Paul Abrahams

WELLCOME, the UK pharmaceuticals company involved in the world's largest non-privatisation secondary share issue, has received permission from the German regulatory authorities to sell Zovirax, its best-selling anti-viral drug, without a prescription in chemists.

Germany is the largest pharmaceuticals market in Europe and the third largest after the US and Japan. About 30 per cent of pharmaceuticals sales there are without prescriptions. Zovirax's German patents run out next year, allowing generic manufacturers to launch their own versions.

Wellcome already sells Zovirax, which is mostly used to treat herpes, over the counter in New Zealand and has applications to do so in most other European countries.

"We are delighted that Germany has been the first country in Europe to license the product OTC," said Mr Doug Clark, product manager in consumer healthcare.

"The German authorities are stringent but appear to have passed the drug at first reading. This augurs well for other markets."

SG Warburg, the company's brokers, said in a recent research note on the group that if 20 per cent of herpes sufferers in Australasia and Europe used the drug once a year it would add £50m to Wellcome's annual sales.

This estimate was based on a price of about £4.37 for each 2g tube. Wellcome plans to sell the product in Germany for about £10 a tube.

The company has a co-marketing agreement in Germany with Hoechst for Zovirax prescription sales, but Mr Clark said he did not know whether that would be extended to OTC.

Wellcome has no OTC presence in Germany at present. Mr John Robb, chief executive, has said the group is in the final stages of negotiations with two or three European groups to exploit OTC products more effectively.

Management at MF Industrial may be set to launch buy-out

By Andrew Baxter

A MANAGEMENT buy-out is believed to be imminent at MF Industrial, the Manchester-based construction equipment producer owned by Varity, the US-based manufacturer of farm and industrial machinery, vehicle components and diesel engines.

MF, part of Varity's Massey Ferguson farm and industrial machinery group, said last night that it was unable to comment on a newspaper report yesterday that Varity is to dispose of the company.

No comment was available from Varity, which has indicated that it may be interested in selling some non-core businesses.

It is believed, however, that a management buy-out of MF supported by City institutions and banks is under discussion and close to being announced. MF would confirm only that it had told the MSF staff union that it had been looking for joint ventures or partners for three years.

MF is a relatively small but separate part of Massey Ferguson, one of the world's leading producers of agricultural tractors.

The unit was created from the merger in 1983 of Massey's industrial and construction equipment products, and has its one production facility in Manchester.

Sales of MF grew from $53m in 1984 to an annual level of nearly $140m at the end of the 1980s. Since then, it has been caught up in the worldwide construction equipment recession.

Production of backhoe loaders, its main product, has fallen from 3,200 in 1988 – a boom year for the construction equipment industry – to 2,900 in 1989, 2,000 in 1990 and 1,600 in 1991.

In the UK market, MF has consistently managed just under 10 per cent of a backhoe loader market dominated by JCB of the UK and US-owned JI Case. Last year, MF sold 220 backhoe loaders in the UK out of a total market of 2,800.

MF also has exclusive European rights to sell Korean-built ScatLoader skid-steer loaders.

Massey Ferguson recently announced an agreement to relocate its "master" parts warehouse from Urmston, near the MF plant at Stretford, to Desford, Leicestershire, where the warehousing will be handled by Caterpillar Logistics Services.

This will lead to the closure of the Urmston warehouse with the loss of about 300 jobs.

Refocused Wilton makes £39,000

By Katrina Lowe

WILTON Group, the USM-quoted company which is moving out of property investment to concentrate on the activities of its Glenchewton subsidiary, formerly Cowan de Groot, reported a pre-tax profit of £39,000 for 1991.

This compared with a £1.08m loss previously, before Wilton raised its holding in the toys, electrical components, hardware and housewares group from 29 per cent to 69.9 per cent. Sales jumped to £19.2m (£4.27m).

Glenchewton reported results for the eight months to December 31, bringing its accounting period in line with its parent. A pre-tax loss of £275,000 was taken on sales of £20.6m. The 12 months to April 30 1991 ended with pre-tax profits of £1.13m on sales of £31.6m.

Wilton has made an extraordinary provision of £2.72m for property disposals. These disposals, together with the £1.5m placing in January, are intended to cut debt. A capital reconstruction is also planned.

Wilton's losses per share for the year were 0.002p (0.26p) and Glenchewton's for the eight months were 1.54p (2.99p earnings).

Glenchewton has agreed to sell EWL Electric, an Irish Republic-based importer and distributor of electrical products, for I£2.26m (£2.07m). The purchaser is Edmundson Electrical, part of Marlowe Holdings, which itself holds 15 per cent of Glenchewton.

Lord Sainsbury comes under attack on Sunday trading

By John Thornhill

LORD SAINSBURY bade farewell to J Sainsbury's shareholders at the grocery chain's annual meeting yesterday after 23 years as chairman.

However, in spite of his glowing remarks about the company's past achievements and encouraging comments about its current trading prospects, his swan-song was marred by shareholders objecting to the company's stance on Sunday trading.

Some said Sainsbury's lacked integrity by flouting the law and disturbed the peace of those who lived near its stores by opening seven days a week.

"We do have a serious violence problem in this country, and it's not right that big organisations should be seen to break the law in this way when small people are penalised," one shareholder said.

Lord Sainsbury replied that the company did take the matter very seriously but observed that polls indicated that two thirds of its shoppers wanted its stores to stay open on Sundays. He also pointed out that, according to Mr Kenneth Clarke, the home secretary, no one trading on Sundays was breaking the law because the House of Lords had decided the law was not clear.

Lord Sainsbury: bade farewell at the annual meeting

But even if some shareholders remained dubious about the company's stance on Sunday trading, they could hardly quibble with the company's results under Lord Sainsbury's stewardship.

When Lord Sainsbury became chairman in 1969 – then as Mr John Sainsbury – pre-tax profits stood at £4.3m (or £33m in 1992 prices). Last year, the UK's biggest retailer made pre-tax profits of £628m.

Commenting on current trading, Lord Sainsbury said the year had started well with food price inflation being "lower than we expected and sales volumes slightly higher".

Stores opened this year were trading well and 22 were likely to be completed by the year-end, he said.

Lord Sainsbury will hand over the chairmanship to his cousin, David, in November.

Jones & Shipman shares dive 14½p as losses reach £7.4m

By Andrew Baxter

SHARES IN Jones & Shipman, one of the UK's three remaining publicly-quoted machine tool companies, fell by nearly a third yesterday after the Leicester-based company announced a £7.35m pre-tax loss and omitted its final dividend for the second year running.

The loss for the year to March 31 compared with a deficit of £960,000 last time. It was accompanied by the announcement of a new business strategy which will progressively halve the workforce of 500, take the group out of the machining of parts, see the disposal of non-core small tools and honing machines businesses, and allow the group to concentrate on precision grinding machines.

The shares dropped from 45p to 27p after the announcement, before recovering to 30½p. Losses per share were 56.1p, compared with 8.2p, while turnover dropped from £22.4m to £15.9m. A nil dividend for the year compares with a 1p interim last time.

The restructuring will end nearly 100 years of parts machining at J&S, which will gradually move to subcontracting.

The £7.35m loss, which Mr John Wareing, managing director, admitted was "horrendous," underlines the continuing severity of the machine tool recession and the lack of confidence – especially among manufacturing customers in the UK – to invest in capital equipment.

The group said market indicators suggested little improvement in trading conditions before the end of 1992. Mr Wareing said inquiries from customers were continuing at a high level, but the conversion rate into orders was not as good as had been hoped.

The length and depth of the recession had prompted the group to announce a fundamental change in its strategy – which has been under consideration for the past 12 months – rather than adopt half-measures, Mr Wareing indicated.

A three-part strategy will produce 130 redundancies initially. This will be followed by sales of the non-core businesses – Mr Wareing said J&S was already talking to a number of interested parties – and a progressive move to subcontracting the machining.

Mr Wareing said the aim was to remove the heavy fixed cost of the machine shop, which was large by the standards of European competitors. Eventually this would enable the company to increase its returns when market conditions improved.

DIVIDENDS ANNOUNCED

		Current payment	Date of payment	Corres - ponding dividend	Total for year	Total last year
Charter Consltd	fin	14.5	Aug 18	14	21.5	21
Dasse Inv Tst	fin	4.575	Sept 1	4.575	7.95	7.95
Fleming High Inc	fin	2.5675	Sept 11	1.705	3.5675	3.5675
GEC	fin	7.05	Oct 1	6.7	9.6	9.25
Granada	int	2.75	Oct 1	2.5	-	7
Jones & Shipman	fin	nil	-	nil	nil	1
Midlands Elect	fin	11.6	Oct 5	10.5	17.25	10.5
MS Intl	fin	1.5	Sept 7	1.5	2.5	2.5
Reject Shop §	fin	2.1	Oct 9	2.1	3.15	3.15
Willoughby's	int	1	Aug 20	1	-	2

Dividends shown pence per share net except where otherwise stated. †On increased capital. §USM stock.

GEC boosted by joint ventures

By Charles Leadbeater, Industrial Editor

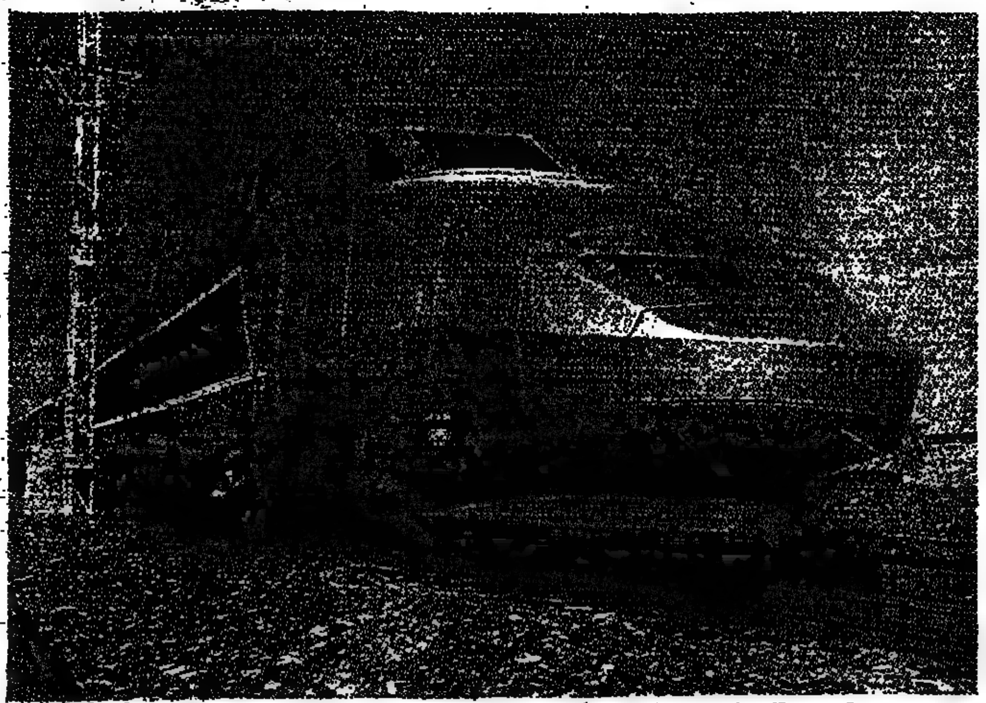
GEC's results yesterday disclosed how far the company had changed since the formation in 1989 of its three joint-ventures with Alsthom of France in power engineering, Siemens of Germany in telecommunication and General Electric of the US in consumer appliances.

About £3.3bn of GEC's turnover of £9.44bn last year came from the main joint-ventures, which generated 43 per cent of the operating profit of £702m. Interest income was virtually unchanged at £105m, largely because a £350m increase in net cash offset the impact of lower interest rates. Pre-tax profits rose from £818m to £829m on a slight fall in turnover from £9.48bn to £9.44bn.

In the past three years GEC's profits from continental Europe have risen by 42 per cent to £199m, while UK profits have fallen from £430m to £393m as a consequence of the recession.

All the joint-ventures increased their operating profits.

- GEC-Alsthom was mainly responsible for a £34m increase in the power system's operating profits to £157m, on a £230m increase in turnover to £2.76bn. Financial controls at GEC helped to raise operating margins at GEC-Alsthom from 4.4 per cent to 5.8 last year. The joint venture's order book grew strongly largely due to sales of equipment for combined cycle power stations and orders for locomotives and rolling stock.



The TGV Atlantique, built by GEC-Alsthom, which holds the world rail speed record

- Sales of the telecommunications division fell from £1.25bn to £1.13bn mainly because of lower orders from British Telecommunications for the System X exchange made by GPT, the joint-venture with Siemens. However, the division's operating profits rose by £2m to £127m through cost cutting. GPT was also responsible for much of the £350m increase in the net cash GEC generated last year, largely through tighter management of stocks and debtors.
- Despite the severity of the UK recession, which the group believes is far from over, the consumer goods joint-venture with GE increased profits by £3m to £21m on a £3m fall in turnover to £268m. Further rationalisation of the UK consumer appliance factories is planned for this year.

The performance of the joint ventures together with the medical equipment division, which increased profits by £6m, helped to offset a poorer performance from several other divisions.

GEC-Marconi, the defence business, did not make provisions for rationalisation costs should Germany pull out of the EFA programme. Rationalisation costs of £20m were largely responsible for a £9m fall in Marconi's operating profits to £260m, on a £19m increase in turnover to £2.78bn.

Elsewhere, profits of the office equipment division, largely accounted for by AB Dick, the troubled US group, fell by £9m to £17m, industrial apparatus' profits fell by £9m to £27m, distribution and trading turned in profits £5m down at £15m, while profits at electronic metrology, mainly Gilbarco, the US petrol pump maker, and Avery, the weighing machine maker, fell by £1m to £36m.

ICL buys personal computer distributor

By Alan Cane

ICL, the UK-based computer manufacturer in which Fujitsu of Japan has an 80 per cent stake, is spending an initial £30m to buy Technology, a leading personal computer distributor.

Its intention is to overtake IBM, Compaq and Dell, the US manufacturers, to become the dominant supplier of personal computers and open systems in the UK. It is aiming for sales of more than £500m within five years.

Technology has reseller agreements with IBM, Compaq and Toshiba, however, which implies that ICL will, for the first time, be marketing rival products in competition to its own.

IBM refused to comment yesterday, saying its reaction would depend on ICL's future strategy for its acquisition.

ICL has a thriving personal computer business based on machines designed and built by Nokia, its wholly-owned Scandinavian subsidiary, worth £100m a year. Its existing direct sales channel is growing at 25 per cent a year but Mr John Gardner, ICL (UK) managing director, said: "If we want to be number one, we will have to grow faster than that. There is a limit to organic growth."

Technology, which made pre-tax profits of £5.3m last year on sales of £130m, is privately held. The main shareholder is Schroder Ventures. The total price of the deal, which could rise to £40m, will depend on future performance.

ICL will merge its own third party distribution activities into the company, which will continue to be run by Mr Derek Lewis, chairman and chief executive, and his management team. ICL business is expected to comprise about 45 per cent of Technology's total activities.

The combined group will be the UK's largest personal computer and open systems reseller and distributor with revenues of some £250m, ahead of P&P and Computacentre, its two main rivals.

Charter Consolidated declines 4.8% but increases dividend

By Maggie Urry

CHARTER Consolidated, the industrial holding group with a 38.5 per cent stake in Johnson Matthey, the metals business, reported a 4.8 per cent fall to £73.8m in pre-tax profits for the year to March 31.

The previous year's figures were after a £2.4m exceptional charge.

The strong balance sheet and relatively small fall in profits encouraged the board to propose a final dividend of 14.5p to give a total of 21.5p (21p).

The dividend is almost twice covered by earnings per share of 42.5p (44.6p).

Mr Jeffrey Herbert, chief executive, said the group had done well in difficult trading conditions.

The shares rose initially yesterday but fell later, to close 2p down at 538p.

Mr Herbert said three of the four businesses managed within the group increased trading profits, with JM's contribution virtually flat at £25.5m (£25.6m).

Group turnover was 1.3 per cent lower at £1.1bn, and operating profits were down 2.5 per cent to £59.2m. Interest on the group's cash balances fell, contributing £14.6m against £19.2m.

Mr Nigel Robson, finance director, said every one point fall in interest rates cut group profits by £2m. Net cash fell from £133m to £121.7m over the year although £30m was spent on acquisitions and £25m on capital expenditure.

Mr Herbert said that in a "challenging year" cost-cutting and a push to increase overseas business had helped contain the profit fall.

At the Anderson mining equipment subsidiary 550 jobs had gone in the year, cutting the workforce to 1,100 compared with 2,200 two years ago. Of the £27m provision set up at Anderson a year earlier, £15m remained.

Pandrol, the rail track equipment business, lifted operating profits by 9.3 per cent to £11.8m, while the mining equipment division increased profits from £1.5m to £2.8m. Quarrying and mining profits rose from £2.7m to £3m, but building products profits were down from £17m to £12.5m.

● COMMENT

There are two ways of looking at Charter. It can be seen as a vehicle of Minorco, which holds 36 per cent of the shares. That view could be supported by the slightly surprising, though welcome, increase in the dividend, and Charter's seeming inability to deal with the JM stake. On the other hand, Charter could be a victim of circumstance, manfully running its majority-owned businesses and trying to invest its substantial cash balances sensibly. The truth probably falls somewhere between the two. On forecast profits of £75m the prospective p/e is 12.3. Looking at it another way, subtracting the value of the JM stake and the cash makes the rest of the business look distinctly cheap. But more action is needed before that is likely to change.

Retail chief's departure adds to worries about Asda performance

By John Thornhill

MR RICHARD Harker resigned yesterday as retail director of Asda, the Leeds-based grocery chain.

The company said the appointment of an external replacement would be announced shortly.

Mr Harker's departure came as little surprise to the City. Analysts said he had long been associated with Asda's now-discredited "old guard" and did not fit in well with the new team of retailers being assembled by Mr Archie Norman, who became chief executive at the end of last year.

Nevertheless, Mr Harker's resignation compounded recent worries about Asda's performance and sent its share price down 2p to 29p yesterday. Concerns have also been raised about the pending flotation of MFI, in which Asda has a 25 per cent stake. The pricing will be announced today.

Asda, which is still struggling under a high level of debt, is due to announce its annual results on Monday when it is expected to report weak trading and to take a substantial write-down on the book value of the 60 stores it acquired from Gateway for £705m in 1989.

Some institutional shareholders are believed to be dissatisfied with Asda's performance following last year's £357m rights issue.

At the time, Cazenove persuaded half a dozen big institutional fund managers to support the fund-raising by highlighting its turnround potential, but Asda's shares have languished ever since and still stand below the 35p issue price.

Mr Patrick Gillam, Asda's chairman, will meet several leading institutional shareholders next week "as a matter of routine". Institutional shareholders will be keen to hear about the progress the company has made over the past six months and its future strategy.

Last month, Asda unveiled the first of its Dales supermarkets, which offer a range of 7,000 discounted goods in a smart superstore setting.

Asda also announced yesterday that it was restructuring its administration by contracting-out much of its legal, insurance and employee-savings work.

Graseby offshoot sold to management

Graseby, formerly known as Cambridge Electronics, yesterday sold Graseby Ajax, its machine tools subsidiary, to management. Graseby is receiving £500,000 cash and will be repaid £552,000 of intra-company loans. It will subscribe to £500,000 of non-voting redeemable preference.

Berisford problems 'at last under control'

By Maggie Urry

BERISFORD International, the property and commodities group which nearly went into receivership in 1990, said yesterday that "the problems of the past are at last under control".

Mr John Sclater, chairman, also said two non-executive directors, Sir John Egan and Mr Murray Stuart, thought it a suitable moment to retire from the board. Mr Stuart was the chief executive who carried through a £1.2bn refinancing.

Mr Alan Bowkett was appointed chief executive in January when Mr Stuart resigned his executive job to take up another appointment. Mr Bowkett's job now, Mr Sclater said, was to identify market sectors with above-average growth prospects and to develop an industrial strategy which could be pursued through acquisitions.

The group yesterday reported interim results for the six months to end-March showing a net loss of £58m (profit £178.8m) after extraordinary costs of £45.3m (gains £183.8m). There was a reduction in shareholders' funds from £153m at the financial year end in September to £95.6m. The shares fell 1p to 15½p.

A further £40m provision has been made against Berisford's loan guarantees to Rayner Coffee International, its 45 per cent-owned coffee trading associate. A review of RCI's business has persuaded Berisford it is unlikely to become a strong business capable of attracting buyers.

Berisford has made its continuing support of RCI conditional on RCI making asset sales to repay debt. Even so Berisford estimates it will have to sell some of its own assets to meet its obligations under the guarantee to RCI.

The group had net cash of £3.8m compared with net debt in the September balance sheet of £1.5m. However, at the end of March Berisford was guaranteeing £49.4m of RCI's debt.

A question of maintaining levels

Angus Foster on the water industry's efforts to satisfy the regulator

ONE PHRASE has tripped, somewhat glibly, from the tongues of the privatised water industry's chairmen as they rolled out their results over the past month.

"The need to balance shareholders' with customers' interests" has become their mantra, and has prefaced every soundbite.

But with companies announcing average dividend increases of 10 per cent, and profit increases ranging from 2 to 30 per cent thanks to price increases, shareholders have more to celebrate than customers.

Dividend growth compares to about 3 per cent for the market, and confirmed the attraction of water companies as high yielding, but low risk, investments. These defensive qualities came to the fore last week, as water shares rallied while the market feared dividend cuts at BP and elsewhere.

Dividend cover has also remained conservative, in spite of rising interest costs, as companies' huge capital investment programmes mount up. Yorkshire Water, for example, raised its dividend 10.2 per cent, but dividend cover was unchanged at 2.9 times.

The reporting season was largely free of the acrimony of 12 months ago. Profits and salaries have risen less dramatically.

The relationship with Ofwat has improved and water companies say both sides now understand each other better. Mr Ian Byatt, Ofwat's director general, has appeared less confrontational of late, although his full views will only become clear next month when he will officially comment on the results.

"I think the regulator has been through a learning curve as well and is now doing a good job," said Mr Nick Hood, chairman of Wessex Water.

Growth in companies' "core", or regulated, water and sewerage business has been predictable, rising in line with prices. Recession affected companies in the south because of falling industrial consumption and empty houses. Thames Water estimated that recession reduced revenues by £16m while companies like Northumbrian, where recession has been less severe, reported little impact.

But outside the core, in the "enterprise" businesses which companies set up to generate unregulated earnings, results have been poor.

Welsh Water said Hamdden, its hotel arm, had a "disappointing" year while a loss-making environmental services associate was sold at a loss to SAUR. Southern Water also sold a similar associate, again to SAUR, which required provisions of "several hundred" thousand pounds, the company said.

Biffa, Severn Trent's waste management arm which was acquired last year, made annualised operating profits of £12.5m, well short of the amount needed to cover £25m in interest charges on the purchase price. Original hopes for Biffa to meet its interest costs this year are "unlikely" to be realised, Severn Trent said.

Other non-core results were mixed. Northumbrian said its enterprise division increased sales threefold, but operating results were "insignificant". North West and Thames announced small profits from non-core businesses, but pre-tax margins were below 3 per cent in both cases.

Companies claim it is too early to judge the success, or otherwise, of diversification. "This has to be seen as a long term investment," Mr John Bellak, chairman of Severn Trent, said of Biffa.

Part of the problem may be structural. Mr Robert Miller-Bakewell, analyst at County NatWest, talks of the "Hanson syndrome".

"The bigger water companies have such a large critical mass that developing a non-core is tricky," he said.

Non-core businesses are partly designed as a hedge against tightening regulation of core water and sewerage services. Ofwat will conduct a periodic review in 1994 of companies' K numbers, the amount by which average prices can be raised above the rate of inflation.

But the problem for the companies, and for investors, is that the regulators' views on non-core earnings, and how he intends to "ring fence" them from regulated profits, are still under discussion and will remain hazy until after the periodic review.

"The question is whether it has been right to try and expand earnings rapidly outside the core or concentrate on the core, as Anglian has done," said Mr Bill Dale, analyst at SG Warburg. "We may not know the answer for two or three years," he added.

Despite occasional hiccups in the non-core, the three best regarded water companies – Wessex, Northumbrian and Yorkshire – reported results as expected and emerged with their reputations intact.

Wessex and Northumbrian are seen as small enough to generate meaningful non-core businesses. Wessex's joint venture with Waste Management International of the US made a first contribution of £900,000, slightly ahead of expectations. Yorkshire more than made up for higher than expected provisions through improved efficiencies. It has now accelerated its investment programme.

Elsewhere, only Welsh came out badly. Apparent backtracking on its diversification plans, and a promise to extend price abatements until 1995 unnerved investors who must now asses how vulnerable the company's perceived high K number is to regulatory action.

This year, profits growth for the industry is set to slow, although average dividend increases of 10 per cent are expected to continue.

Average water charges, which rose 15.5 per cent last year, are set to increase by only 9.7 per cent in 1992-93. This includes voluntary abatements of price rises by all companies following pressure from Ofwat.

Decelerating profits are also a result of companies' increasing debt burden as the industry pays for some £28bn of capital expenditure this decade. Most companies have gone, or are about to go, from holding net cash to net debt.

As the periodic review approaches, customers are becoming more important. Ofwat wants companies to ask customers their views on pricing and levels of service before submitting business plans for the second half of the decade. Ofwat is also looking at ways to measure companies' relative efficiencies and customer service.

"Any company which does well on customer service will be viewed kindly and allowed a more generous K," said Mr Dale.

If so, the chairmen's mantra of a balancing act may have to be seen to swing back a little from shareholders towards the consumer.

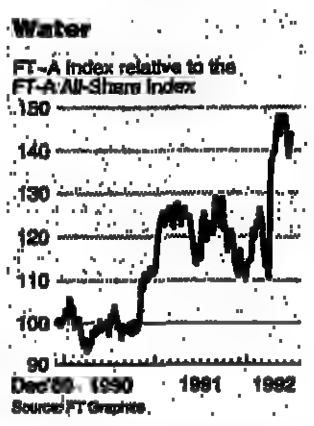
Leslie van der Meer

Ian Byatt: has appeared less confrontational of late

HOW THE WATER COMPANIES COMPARE

	% growth pre-tax profits		% growth net dividend	
Company	1992‡	1993★	1992‡	1993★
Anglian	12	12	10.3	9.8
Northumbrian	30	14.6	10	9.8
North West	7	8.7	9	9.3
Severn Trent	6.4	7.5	10	10
Southern	19	4.3	10	10
South West	2	5.6	9.8	9.4
Thames	11.3	9.3	9.7	9.4
Welsh	8	4.4	9.7	10.3
Wessex	16	7.8	10.2	10.1
Yorkshire	6.6	13.8	10.2	10.5

‡ Actual
★ Consensus forecasts



Source: FT Graphite

NEWS DIGEST

Henlys switches broker

HENLYS GROUP has changed its stockbroker, two days after becoming the subject of a £27.1m hostile takeover bid from rival motor dealer T Cowie.

Mr Robert Wood, Henlys' chief executive, said he had switched from Hoare Govett because 35 redundancies at the broker, following its recent takeover by ABN Amro, the largest bank in the Netherlands, had left it "short on overall resources."

Henlys has gone to Panmure Gordon, which took on five corporate finance staff from Hoare Govett, including the three most familiar with Henlys.

Mr Wood said he wanted to work with people he knew and who were familiar with the company in what was likely to be a tough takeover battle.

Henlys had two banks as advisers, Charterhouse and Hill Samuel, and had decided that Charterhouse would conduct its defence.

● T Cowie has agreed to buy Walker Jackson, the main Ford dealer in Swindon, for an undisclosed sum.

MS International rises to £251,000

Profits of MS International, the Doncaster-based engineer, rose from £59,000 to £251,000 pre-tax over the 53 weeks to May 2. An £8m fall in turnover to £30.5m mainly reflected discontinued activities.

Profits were struck after taking account of a drop in interest charges to £174,000 (£611,000) and exceptional costs of £220,000 relating to a factory closure.

Extraordinary charges of £1.77m (income £1.89m) were principally final settlement terms of the dispute relating to the sale of two Laurence Scott companies in 1986.

Earnings worked through at 1p (0.4p) and a maintained final dividend of 1.5p makes a same-again 2.5p total.

Reject Shop 15% lower at £652,000

Reject Shop, the furniture and houseware retailer, returned pre-tax profits of £652,000 for the year to March 16 against £763,000 last time.

Turnover was static at £20.7m (£20.4m) in spite of the recession and a fire bomb which damaged the company's Tottenham Court Road store in London last November.

Earnings emerged at 4.47p (4.88p) and a same-again final dividend of 2.1p makes an unchanged 3.15p total.

AFE to mop up Cronite minority

AFE, the French engineering group, is compulsorily to acquire the remaining shares in Cronite Group, after securing 91.6 per cent of the Birmingham-based foundries company in its £7.3m recommended offer.

AFE announced yesterday that it owns or has received valid acceptances in respect of 14.9m shares.

Teredo Petroleum falls to £91,000

Teredo Petroleum has changed its focus to concentrate on enhancing revenues from producing areas and in line with this is altering its fixed assets accounting policy.

The USM-quoted oil and gas producer saw pre-tax profits decline by 43 per cent to £91,000 (£160,000 restated) in the half year to March 31, after exceptional costs of £65,000 connected to its reorganisation under which exploration activity has been curtailed and staffing levels reduced.

Sales in the six months declined to £2.75m (£3.1m). Provisions for exploration costs fell to £414,000 (£486,000) and interest payments and exchange losses took £142,000 (£73,000).

Earnings fell to 0.3p (0.5p).

Revenue marginally ahead at Danae

Net asset value at Danae, a split-capital investment trust, stood at 51.79p per income share and 50.76p per capital share at May 31.

The values compared with 51.97p and 47.31p respectively 12 months earlier.

Net revenue for the year amounted to £549,812 (£526,312), equal to earnings of 7.77p (7.44p) per income share. The final dividend of 4.575p maintains the total at 7.95p.

AAH makes three acquisitions

AAH Holdings, the healthcare and distribution group, has acquired Advanced Medical Communications, a supplier of practice management computer systems to general practitioners.

Consideration was £3.52m, satisfied by the issue to the vendors of 698,413 AAH ordinary shares. A further cash amount is payable when the proceeds from certain contracts are determined.

It has also bought BS Pharmacy, a retail pharmacy based in Stafford, for £400,000 satisfied by the issue to the vendors of 79,398 ordinary shares, and a further payment dependent on the stock value.

AAH also announced the acquisition of DR Godfrey, a provider of landscape maintenance services, for £176,883, satisfied by £30,000 cash and the issue to the vendors of 29,144 ordinary shares.

Exceptionals raise losses at CRP

Losses at CRP Leisure, the USM-quoted company formerly known as PE Kemp, deepened from £155,181 to £195,668 over the six months to April 30.

The figure, however, included an exceptional provision of £71,876 relating to the closure of Theatretheme.

Turnover of continuing activities amounted to £625,718 but included only five weeks of the recent £3.2m purchase of CR Pursehouse.

Losses per share were 1.2p (1.1p).

Fleming High Inc net assets steady

Total assets of Fleming International High Income Investment Trust were £88.9m at May 31, compared with £87.3m a year earlier.

Net asset value of the zero dividend shares was 69.3p, against 65.2p at November 31 and 61.3p the year before, while figures for the ordinary shares were 33p, 33.7p and 36.9p respectively.

Total dividend for the year to May 31 is maintained at the forecast 3.5675p with a final of 2.5675p, payable from earnings of 3.63p (3.57p) per share.

Europe Energy losses deepen

Europe Energy, the USM-quoted mining company which reversed into Moray Firth Exploration in January 1991, announced a pre-tax loss of £163,953 for the 15 months to March 31 1992. Losses for the preceding 12 months were £6,557.

The Cardiff-based company was set up to exploit opportunities created by the closure of British Coal pits in south Wales.

Turnover amounted to £1.57m (£3,073). Losses per share worked through at 1.37p (0.06p earnings).

New London advances to $5.04m

New London, the oilfield services group, lifted pre-tax profits by 31 per cent to $5.04m (£2.73m) in the year to March 31, compared with $3.84m previously.

Turnover jumped to $113m (£44.7m), helped by the acquisition of International Drilling Fluids last July. Drilling fluids and well servicing revenues now account for more than 90 per cent of total revenues.

After tax and minorities net profits advanced by 78 per cent to $5.55m ($3.01m). Earnings were 3.5 cents (2.2 cents).

An extraordinary $4.81m provision was made against loss on the sale of its US oil and gas exploration and production operations.

Walker & Staff jumps by 57%

Walker & Staff Holdings, the valve and pipeline equipment distributor, reported a 57 per cent improvement in annual profits.

On turnover down 2 per cent at £8.35m, pre-tax profits for the 12 months to March 31 advanced from £389,000 to £610,000.

The recommended single distribution for the year goes up from 3.3p to 5p, covered 3.7 times by earnings of 18.6p (11p) per share.

London Share Service

Monday's list of forthcoming changes to company classifications in the London Share Service should have stated that companies classified in Stock Exchange category 98 will be shown with effect from July 4 under Investment Trusts. The category includes investment trusts approved under Section 842 of the Income and Corporation Taxes Act but either registered outside the UK or denominated, accounting or quoted in a foreign currency.

The placing of individual companies will be confirmed in the normal weekly list of changes to the London Share Service.

BET chairman gets 48% pay increase

Sir Christopher Harding, chairman of BET, took a pay increase of more than 48 per cent in the year to end-March, according to the group's annual report published yesterday.

His salary jumped from £88,050 to £130,844, while that of the highest paid director rose 68 per cent from £287,181 to £483,977.

Pre-tax profits in the same year fell 46 per cent before exceptional items. These included reorganisation and redundancy costs and asset write-downs which wiped almost £90m from the bottom line.

Kenmare Resources losses increase

Kenmare Resources, the USM-quoted Dublin-based natural resources exploration and production company, turned in losses of I£179,619 (£165,016) for the six months to October 31. There was no tax charge.

In the previous first half there were losses of I£46,697 before tax of I£61,818.

Losses per share worked through at 0.57p (0.23p).

In the last full year losses totalled I£408,598.

PUBLIC WORKS LOAN BOARD RATES
Effective July 1

Years	Quota loans* EPT†	Ann††	Maturity§
1			10
Over 1 up to 2	9⅞	9⅞	10
Over 2 up to 3	9⅞	9⅞	9⅞
Over 3 up to 4	9⅞	9⅞	9¾
Over 4 up to 5	9¾	9¾	9¾
Over 5 up to 6	9¾	9¾	9⅞
Over 6 up to 7	9¾	9¾	9⅞
Over 7 up to 8	9¾	9¾	10
Over 8 up to 9	9¾	9⅞	10
Over 9 up to 10	9⅞	9⅞	10⅛
Over 10 up to 15	10	10⅛	10¼
Over 15 up to 25	10¼	10¼	10⅛
Over 25	10¼	10⅛	10

*Non-quota loans A are 1 per cent higher and non-quota loans B 2 per cent higher in each case than quota loans. †Equal instalments of principal. †† Repayment by half-yearly annuity (fixed equal half-yearly payments to include principal and interest). § With half-yearly payments of interest only.

مكتبة صندالأصل

Redemption Notice

European Investment Bank

13% Bonds Due 1996

NOTICE IS HEREBY GIVEN, pursuant to the Fiscal Agency Agreement dated as of August 31, 1984 under which the above described Bonds were issued, that European Investment Bank has called for redemption on August 31, 1992 $25,000,000 principal amount of said Bonds at the redemption price of 100% of the principal amount thereof, together with accrued interest to August 31, 1992. The serial numbers of the Bonds selected for redemption are as follows:

COUPON BONDS

(All in $1,000 denomination)

(Continued on next page)

(Continued on next page)

هكذا من الأصل

On August 31, 1992 there will become due and payable upon each Bond selected for redemption the said redemption price, together with interest accrued to August 31, 1992. Payment of the redemption price of the Bonds to be redeemed will be made in such coin or currency of the United States of America as at the time of payment is legal tender therein for the payment of public and private debts thereon, upon presentation and surrender of said Bonds, with all coupons appertaining thereto maturing after August 31, 1992, at the holder's option and subject to applicable laws and regulations at the main offices of Caisse d'Espargne de l'Etat and Citicorp Bank (Luxembourg) S.A. in Luxembourg, Citibank, N.A. in London and Deutsche Bank AG in Frankfurt am Main.

On and after the date fixed for redemption interest on said Bonds will cease to accrue. Coupons due August 31, 1992 should be detached from the Bonds and presented for payment in the usual manner.

For EUROPEAN INVESTMENT BANK
CITIBANK, N.A.
as Fiscal Agent.

July 2, 1992

COMMODITIES AND AGRICULTURE

Canada set to impose ban on Atlantic cod fishing

By Bernard Simon in Toronto

CANADA IS expected to impose an 18-month ban today on all cod fishing off the coast of Newfoundland and Labrador, together with a massive aid package for the 20,000 fishermen whose livelihood is threatened by the moratorium.

The ban, which follows years of scientific study and gradually dwindling catches, is the most drastic action so far in efforts to restore one of the world's richest fishing grounds. Last month, the European Community agreed to suspend cod fishing for the rest of this year in international waters off the Grand Banks.

Canadian fishing boats had a northern cod quota of 135,000 tonnes this year. In addition, the EC had awarded its trawlers a 27,000-tonne quota in the area.

According to local reports, the ban will apply to Canada's entire 200-mile fishing zone off the coast of Newfoundland and Labrador, and will remain in effect until at least the end of 1993.

The crisis in the east coast fishery has soured relations between Canada and the EC in recent years. Ottawa blames foreign trawlers, especially from Portugal and Spain, for the decline in the cod stocks. There is evidence however that other factors, including unusual bands of cold water blocking fish migration and over-fishing by Canadian boats, have also contributed to the problem.

The government aid package to be announced today by Mr John Crosbie, the fisheries minister, could cost as much as C$500m (£220m).

It will include early-retirement incentives for older workers and short-term, make-work projects to enable fishermen and processing plant workers to qualify for unemployment insurance.

Aid will also be provided for retraining, and to help fishing communities maintain boats and other equipment.

Cod fishing is the mainstay of Newfoundland's economy. The province, which is one of the poorest regions of North America, already has an unemployment rate of almost 20 per cent.

The two biggest east coast fishing companies, Fishery Products International of Newfoundland and Nova Scotia's National Sea Products, announced a rationalisation of activities last week which will have the effect of lowering FPI's dependence on cod and increasing its shrimp business.

Whale sanctuary plan shelved

By James Buxton

A SCHEME to make the Antarctic Ocean a sanctuary free of whaling suffered a reverse yesterday at the International Whaling Commission when France, proposer of the idea, asked for its consideration to be deferred to next year.

France took the decision at the annual meeting of the IWC in Glasgow because of the strength of opposition from whaling nations. It was greeted with dismay by conservation bodies, which had seen the proposal as a further step to preserve remaining whale stocks.

At the week-long IWC meeting, nations with whaling industries are seeking a resumption of commercial whaling through the adoption of a scheme known as the revised management procedure (RMP). A moratorium on commercial whaling came into effect in 1985-86 but IWC research suggests that numbers of the small minke whale have since recovered.

Norway has already said it will resume commercial whaling next year whatever the IWC decides. Iceland this week left the IWC altogether.

France faced opposition to its sanctuary plan from Japan, Norway, Mexico and China. Japan also had the backing of four Caribbean states, St Vincent, St Lucia, Dominica and St Kitts. With these countries opposed the proposal would not have commanded the required 75 per cent majority of the 29 states attending the meeting of the 37-member IWC.

Even had it been supported in principle, the proposal, which would have outlawed whaling beyond the 40 degree south latitude, would not have come into effect for some years, and it is said to have been poorly prepared.

Greenpeace, the environmental group, early yesterday called off a protest that on Tuesday blocked the departure from Glasgow of the Elin Toril, a Norwegian whaling boat, which had sailed to Scotland to support Norway's case for resumed whaling. Instead it called on Britain to use its European Community presidency to block any application by Norway to join the EC while it carried out whaling.

Bidders line up for Irish zinc deposit

By Kenneth Gooding, Mining Correspondent

THE AUCTION for Europe's second-largest known zinc-lead deposit, at Lisheen, County Tipperary in Ireland, is coming to the boil.

Two big mining groups, Minorco and Outokumpu, together with Ivernia West, the small Irish exploration company which discovered the deposit, have agreed to bid jointly for the 52.5 per cent of Lisheen put up for sale by Chevron, the US oil concern.

Industry analysts suggest the stake, which has already attracted at least 50 potential purchasers, is likely to fetch between US$50m and $80m but executives of the three bidding companies insist this is too high.

Ivernia owns the other 48 per cent of Lisheen and says it has the pre-emptive right to match any bid by a third party. Minorco, the overseas investment arm of the Anglo American Corporation of South Africa, and Outokumpu, the state-owned Finnish group, are substantial shareholders in Ivernia, with 16.9 per cent and 24.3 per cent of its equity respectively.

If their joint bid is successful, it will be funded by Minorco and Outokumpu, which will each own 25 per cent of Lisheen with Ivernia having 50 per cent.

Ivernia recently revealed that reserves at Lisheen had been uprated to 18.38m tonnes containing 13.4 per cent zinc, 2.4 per cent lead and 38.7 grammes of silver a tonne, putting it second only in Europe to the nearby Tara lead-zinc mine at Navan (wholly-owned by Outokumpu).

Exploration continues and Mr David Hough, Ivernia's managing director, suggests the final ore reserve could be well over 20m tonnes. He says that, if all goes well with planning applications and development work, a Lisheen mine might start up in mid-1996.

"By the time we start production we will have spent US$150m," says Mr Hough.

Crop report sparks fall in US grain futures

By Barbara Durr in Chicago

A US Department of Agriculture crop report sent soyabean and wheat prices plunging yesterday morning at the Chicago Board of Trade. The report, released after the close of trading on Tuesday, said that farmers had planted far more soyabeans than the market expected and that wheat stocks were considerably higher than the industry had estimated.

CBoT soyabean traders rushed to knock more than 10 cents a bushel off the July and August futures contracts. The July contract, the spot month, which closed on Tuesday at $6.00¾ a bushel, opened in the range of $5.87 to $5.88 a bushel. But the contract, like others in the more distant months, regained a few cents during morning trading.

The USDA had reported that farmers planted 59m acres of soyabeans, about 1.2m acres more than the average industry estimate. Some of the extra acreage came from "double cropping", as farmers replanted winter wheat fields with a summer crop of soyabeans. This followed a poor winter wheat crop in many parts of the midwest.

Wheat traders also nipped 5 cents off prices at the opening of trading. The Tuesday close had been $3.49½ a bushel and the opening range was $3.45 to $3.455. But, as in the case of soyabeans, prices rebounded a bit by mid-morning to level the price loss to about 3.25 cents for the July contract, which hovered at $3.46 a bushel.

In contrast, maize futures gained a few cents on the USDA report, which said that maize planting and stocks were below analysts' estimates. Although some had thought maize might follow other grains lower, the July spot month rose 3 cents by mid-morning to $2.51¼ a bushel.

There was some speculation that soyabean and wheat prices could reverse direction if the USDA announced significant export credit sales to the former Soviet republics yesterday. But no news emerged by mid-day from Washington and industry analysts said the credit announcements could be delayed by as much as several days. An allocation of $300m in credits is waiting to be used by the Russians and Ukrainians.

However, Mr Daniel Basse, research director of AgResource in Chicago, said: "The markets could not care less about the purchases by the former Soviet republics. It's totally a weather market".

British Gas in huge Kazakhstan deal

By Neil Buckley in London and Haig Simonian in Milan

BRITISH GAS, the UK gas group, and Agip, the oil subsidiary of Italy's state-owned ENI energy group, have won exclusive negotiating rights with the former Soviet republic of Kazakhstan to develop the huge Karachaganak oil and gas field.

The field is among the biggest in the world, containing 20 trillion (million million) cubic feet of gas – four times the size of the UK's largest gas field.

Recoverable reserves of oil and condensate are estimated at 2bn barrels, equal in size to the Forties field in the North Sea. The deal would double British Gas's worldwide reserves, and is also a big step in Agip's attempt to break into an international energy industry still dominated by major UK and US companies.

The two companies have been bidding for 18 months to develop the field, which is expected to produce into the second half of the next century.

They beat a consortium of BP, the UK oil and gas producer, and Statoil, the Norwegian state oil company, as well as initial competition from two big US companies, and hope to sign a final agreement by summer next year.

According to the letter of intent signed in the Kazakh capital of Alma Ata yesterday, the two companies in a 50/50 joint venture will invest more than $6bn in the project over the next decade. British Gas refused to release precise details of the deal, but said that the share of profits going to the Kazakh government would gradually increase over the life of the field, eventually tipping the balance in favour of the Kazakhs.

The contract is initially for 40 years, extendable by another 20 years, and is expected to make a substantial contribution to Europe's gas requirements. Infrastructure already exists which could transport the gas into western Europe, via the Soyuz pipeline, but British Gas said it had not ruled out the possibility of further pipeline construction.

Karachaganak, discovered in 1979, is already producing at a low level, but investment from the two western companies is expected to bring daily production up to 2bn cu ft of gas, and 200,000 barrels of oil.

This is the second significant deal involving Kazakhstan in less than two months. Chevron, the US oil company, recently reached agreement to develop the giant Tengiz oilfield.

Ghanaian cocoa on road to reform

Julian Ozanne reports on plans to liberalise the internal market

AFTER YEARS of cautious reform the Ghanaian government is poised to take big steps towards privatisation of the cocoa trade and curbing the stranglehold of the powerful, inefficient and costly Ghana Cocoa Board.

In the face of falling world prices for cocoa and marginal returns to Ghana's farmers, it is increasingly recognised that considerable savings must be made in the financing and operating costs of the board, which should be passed on to smallholder producers in the form of better incentives if cocoa production is to be maintained at its present level. In a critical first step, privatisation of domestic marketing is due to be introduced for the 1992-93 crop.

The 1991-92 crop is estimated at about 240,000 tonnes, a decrease of 16 per cent from the 286,000 tonnes produced last year. The fall in production resulted partly from adverse weather conditions but was exacerbated by farmers turning their attention to other crops.

Last year the government decided to sell forward 80 per cent of the 1991-92 crop, thereby insulating itself from the drop in world prices. In the first four months of 1992 about 75,000 tonnes of Ghanaian cocoa was delivered to the world market. While that amount was on target, maintaining deliveries presented more problems in May and June.

According to the local representative of E.D. & F. Man, the London trade house, sales by Ghana to date are no more that 90,000 tonnes. This means that priced sales to the world market are probably no more than 50,000 tonnes, he says, a historically poor sales position in a depressed market that weakens the case for the board continuing to market the crop.

He blames the depressed level of world cocoa prices – recently at 16-year lows – partly on the poor forward sales positions of Ghana and the Ivory Coast.

The longer the producers stay out of market, the safer the buyers feel, he explains, secure in the knowledge that sooner or later origins will have to sell and push the market down.

In Ghana, the crucial contribution of cocoa to tax revenues and foreign exchange earnings and the powerful position of the board has made cocoa a highly charged political issue. Rigid price setting and market controls have dominated the trade. According to the World Bank, inefficiencies in the marketing system and high levels of taxation have characterised the sector and resulted in low producer prices, disinvestment and declining yields and output.

Substantial devaluation combined with limited reforms over the past six years including the elimination of input subsidies, continuing divestment of plantations owned by the board, streamlining of operations and a reduction of at least 12,000 in the board's staff, have already had an impact on producer prices, which have risen from about 20 per cent of the world market price in 1983 to about 51 per cent for this crop year. Producers are still worse off, however, as the world price has fallen by two-thirds over that period.

Much deeper reforms are necessary to stimulate production by giving farmers a much higher percentage of the world market price. To do this the politically powerful vested interests in the cocoa board have to be tackled and its functions considerably reduced. With a staff of 42,000 and a budget that consumes a third of total cocoa export revenue, the board, with its monopoly on domestic trade and external marketing, will have to be broken if higher producer prices are going to be awarded to farmers.

Last December on farmer's day, Flight-Lt Jerry Rawlings, the country's ruler, announced that the government would introduce private competition in domestic cocoa marketing. Hopes are high that competitive internal buying will increase marketing efficiency and raise producer prices as buyers compete for cocoa.

The huge financing costs of the board, which at present purchases the entire crop, will also be reduced and spread among several private traders. The government has already published regulations governing the entry of private operators into the cocoa market and is due to approve applications for licences within the next two to three months.

The technical committee of the producer price review committee has also made recommendations for the board's prices for the 1992-93 crop to be paid both directly to the farmer and to private licensed buying agents. It recommends a 2.7 per cent increase in the minimum producer price from C251,000 (£330) to C258,000 a tonne and that "takeover prices", at which the board will buy from the licensed agents at three designated take-over points, be set at between C307,000 to C319,000 a tonne, depending on the point of take-over and the origin of the cocoa. The difference between the producer price and the take-over price represents buyers' operating costs, haulage costs and profit margins.

The board will then have responsibility for subsequent storage, pre-shipment handling and final shipment. Several details of the new system have yet to be worked out but the World Bank is pressing the government to grant the licences on an annual auction system and only to license buyers who have the expertise to maintain Ghana's high export quality standards. The bank is also arguing for private traders to be allowed to operate completely freely with no reporting, up-country inspection or control procedures exercised by the board.

Supporters of the system argue that its greatest advantages will be in higher prices to farmers and considerable staff and financing savings by the board, which, under the new system, will only have to finance its pre-export stock.

Other measures like abolishing the government's role in the import and sale of fertiliser and agrochemicals for the cocoa sector will have to be taken to boost production further. According to Mr Jim Wilson, managing director of Valley Farms, the government will also need to consider overhauling its system of extension services to boost average yields of 250 kg an acre. Valley Farms, which bought two cocoa plantations from the board, plans to increase yields to as much as 1.5 tonnes an acre by using new techniques of vegetative regeneration, clonal seeding, hand pollination and new insecticides. Most of these techniques are available from the Cocoa Research Institute of Ghana but are not widely disseminated by the Cocoa Services Division of the board.

Ultimately, emerging private sector players in the cocoa trade hope the government will also move to liberalise external marketing. Only if all these measures are taken, say cocoa experts, will Ghana begin to boost production to significantly higher levels.

WORLD COMMODITIES PRICES

MARKET REPORT

BASE METAL prices on the LME closed mixed as technical reactions against the recent uptrend hit some markets. Dealers said the continued absence of significant fundamental developments left many markets looking overbought, although buying support was eventually attracted by price dips. Three-month **COPPER** slid to a low of $2,400 a tonne against a background of news that Poland's government hopes to avert a copper mine strike. But chart support and caution as Asarco labour talks are still taking place prevented a breach of this level. Nymex **PLATINUM** futures returned to session peaks at midday after the largest labour organisation in South Africa threatened a general strike for August 3, sparking worries that mine production will be disrupted in South Africa, analysts said. London **COCOA** futures extended recent gains as origin sellers continued to stay away. A test of £600 a tonne is now expected for the September contract. New York raw **SUGAR** futures were lower in all months at midday as concerns over supply tightness continued to dissipate after Tuesday's expiration of the July contract.

Compiled from Reuters

London Markets

SPOT MARKETS

Crude oil (per barrel FOB)		+ or -
Dubai	$18.50-8.55	-.275
Brent Blend (dated)	$20.20-0.40	-0.25
Brent Blend (Aug)	$20.50-0.60	-.225
W.T.I (1 pm est)	$21.75-1.80z	-.275
Oil products (NWE prompt delivery per tonne CIF)		+ or -
Premium Gasoline	$229-231	
Gas Oil	$186-187	-3
Heavy Fuel Oil	$84-85	-0.5
Naphtha	$200-202	-1.5
Petroleum Argus Estimates.		
Other		+ or -
Gold (per troy oz)♣	$344.15	+0.60
Silver (per troy oz)♣	404.0c	
Platinum (per troy oz)	$384.00	+2.75
Palladium (per troy oz)	$82.25	+0.35
Copper (US Producer)	113.69c	-0.74
Lead (US Producer)	37.38c	
Tin (Kuala Lumpur market)	17.81r	+0.45
Tin (New York)	332.50c	+9.00
Zinc (US Prime Western)	62.0c	
Cattle (live weight)†	107.32p	-1.88*
Sheep (live weight)†♠	73.64p	-5.55*
Pigs (live weight)†	65.29p	-8.49*
London daily sugar (raw)	$261.0w	-9.0
London daily sugar (white)	$294.0w	
Tate and Lyle export price	£245.5	-6.0
Barley (English feed)	109.75	
Maize (US No. 3 yellow)	£149.0y	
Wheat (US Dark Northern)	Unq	
Rubber (Aug)♥	50.00p	-0.25
Rubber (Sep)♥	50.00p	-0.25
Rubber (KL RSS No 1 Jul)	221.0r	
Coconut oil (Philippines)§	$580.0t	
Palm Oil (Malaysian)§	$385.0z	-0.9
Copra (Philippines)§	$367.5y	+2.5
Soyabeans (US)	£139.5	-3.0
Cotton "A" Index	65.85c	-0.05
Wooltops (64s Super)	383p	

£ a tonne unless otherwise stated. p-pence/kg. c-cents/lb. r-ringgit/kg. t-Sep/Oct y-July w-Jul/Aug z-Aug. †Meat Commission average fatstock prices. * change from a week ago ♥London physical. §CIF Rotterdam. ♣ Bullion market close. m-Malaysian cents/kg. ♠Sheep prices are now live weight prices. ‡‡ previous figure should have been 250 5

SUGAR – London FOX ($ per tonne)

Raw	Close	Previous	High/Low	
Aug	222.00	235.60	234.00	239.00
Oct	209.00	220.60	220.00	213.60
Dec	198.00	204.00	200.00	
Mar	201.00		209.00	
White	**Close**	**Previous**	**High/Low**	
Aug	286.00	289.00	289.00	284.00
Oct	264.50	270.00	268.00	263.50
Dec	265.00	269.00	266.50	264.00
Mar	268.50	273.40	270.10	267.50
May	271.50	277.30	274.00	270.00
Aug	276.50		278.40	276.50
Oct	267.00		269.10	267.00

Turnover: Raw 113 (37) lots of 50 tonnes. White 2304 (1434)
Paris- White (FFr per tonne). Aug 1476.27 Oct 1388.60

CRUDE OIL – IPE $/barrel

	Close	Previous	High/Low	
Aug	20.60	20.41	20.69	20.37
Sep	20.55	20.40	20.66	20.40
Oct	20.50	20.30	20.58	20.35
Nov	20.45	20.26	20.50	20.29
Dec	20.36	20.26	20.45	20.32
Feb	20.20	20.08	20.15	
IPE Index	20.79	21.14		

Turnover 30500 (27584)

GAS OIL – IPE $/tonne

	Close	Previous	High/Low	
Jul	186.75	188.00	188.00	185.75
Aug	188.25	190.75	189.75	187.50
Sep	190.00	192.25	191.50	189.25
Oct	182.50	194.75	193.75	191.50
Nov	193.75	196.25	195.50	193.00
Dec	194.75	197.50	196.50	194.00

Turnover 15184 (12354) lots of 100 tonnes

WOOL

The better finish to the Australian selling season has given much needed encouragement to wool buyers. Some believe it presages latent demand which will emerge when the new season starts on July 28. Early offerings will be relatively lighter and prices might tend firm to higher. The crossbred market is patchy, with no significant pointers from the final New Zealand sale. In Bradford business remains very quiet and top quotations have declined slightly. The AWC market indicator at the end of the season was 545, compared with 577 in June 10.

COCOA – London FOX £/tonne

	Close	Previous	High/Low	
Jul	565	540	561	544
Sep	580	563	586	566
Dec	607	591	610	594
Mar	633	614	634	615
May	650	629	649	633
Jul	668	647	668	652
Sep	684	664	686	669
Dec	707	691	710	696
Mar	732	719	732	720
May	750	738	750	

Turnover: 12006 (9487) lots of 10 tonnes
ICCO indicator prices (SDRs per tonne). Daily price for Jun 30 725.26 (718.06) 10 day average for Jul 1 687.36 (683.44)

COFFEE – London FOX $/tonne

	Close	Previous	High/Low	
Jul	581	667	682	671
Sep	696	686	702	689
Nov	717	708	718	709
Jan	736	724	735	730
May	770	758	768	

Turnover:2218 (5985) lots of 5 tonnes
ICO indicator prices (US cents per pound) for Jun 30: Comp. daily (48.73) 15 day average (47.87)

POTATOES – London FOX £/tonne

	Close	Previous	High/Low	
Apr	84.2	86.9	86.5	84.0

Turnover 96 (82) lots of 20 tonnes.

SOYAMEAL – London FOX £/tonne

	Close	Previous	High/Low
Aug	121.00	122.00	

Turnover 0 (30)lots of 20 tonnes.

FREIGHT – London FOX £10/index point

	Close	Previous	High/Low	
Jul	1005	985	1010	985
Aug	1025	1005	1025	1000
Oct	1170	1156	1180	1140
Jan	1205	1200	1205	1190
Oct	1280	1200	1260	1230
BFI	1079	1091		

Turnover 399 (296)

GRAINS – London FOX £/tonne

Wheat	Close	Previous	High/Low	
Sep	111.25	111.80	111.25	
Nov	114.50	114.70	114.80	114.40
Mar	120.80	120.95	120.80	
Barley	**Close**	**Previous**	**High/Low**	
Sep	109.50	109.50	109.60	103.50
Nov	112.80	113.00	112.80	
Jan	115.80	115.95	116.00	115.80

Turnover: Wheat 195 (266) , Barley 25 (102).
Turnover lots of 100 Tonnes.

PIGS – London FOX (Cash Settlement) p/kg

	Close	Previous	High/Low
Aug	103.5	105.5	103.0
Sep	104.5	105.5	103.5

Turnover 3 (4) lots of 3,250 kg

LONDON METAL EXCHANGE (Prices supplied by Amalgamated Metal Trading)

	Close	Previous	High/Low	AM Official	Kerb close	Open interest
Aluminium, 99.7% purity ($ per tonne)						Total daily turnover 45,765 lots
Cash	1307.5-8.5	1300-1	1316/1315	1314-5		
3 months	1333-3.5	1326-7	1350/1328	1339-40	1335-6	160,717
Copper, Grade A (£ per tonne)						Total daily turnover 40,125 lots
Cash	1270.5-1.5	1278.5-9.5	1272.5	1272-3		
3 months	1283.5-4.0	1292-3	1287/1279	1285-6	1282-3	118,834
Lead (£ per tonne)						Total daily turnover 5,287 lots
Cash	316-7	320-1		314-5		
3 months	327-8	331-2	330.5/325	325-6	329-30	21,605
Nickel ($ per tonne)						Total daily turnover 4,611 lots
Cash	7470-80	7455-60		7470-5		
3 months	7545-50	7530-5	7570/7535	7540-5	7555-60	23,090
Tin ($ per tonne)						Total daily turnover 2,436 lots
Cash	7085-95	7110-20		7220-5		
3 months	7090-95	7110-20	7280/7070	7215-20	7100-10	10,636
Zinc, Special High Grade ($ per tonne)						Total daily turnover 23,087 lots
Cash	1320-2	1359-63	1336	1334-5		
3 months	1291-2	1316-20	1320/1286	1305-6	1292-3	81,894

LME Closing £/$ rate: SPOT: 1.9115 · 3 months: 1.8931 · 6 months: 1.8520 · 9 months: 1.8293

LONDON BULLION MARKET (Prices supplied by N M Rothschild)

Gold (troy oz)	$ price	£ equivalent
Close	344.00-344.30	
Opening	343.30-343.60	
Morning fix	343.60	179.801
Afternoon fix	343.55	179.490
Day's high	344.20-344.50	
Day's low	343.00-343.30	

Loco Ldn Mean Gold Lending Rates (Vs US$)

1 month	3.42	6 months	3.35
2 months	3.38	12 months	3.41
3 months	3.35		

Silver fix	p/troy oz	US cts equiv
Spot	211.65	404.85
3 months	217.25	408.80
6 months	222.45	412.75
12 months	232.95	422.00

GOLD COINS (Prices supplied by Engelhard Metals)

	$ price	£ equivalent
Krugerrand	343.50-344.50	179.50-180.00
Maple leaf	354.00-355.00	185.00-185.50
New Sovereign	84.00-85.00	43.90-44.40

TRADED OPTIONS

Aluminium (99.7%)	Calls		Puts	
Strike price $ tonne	Jul	Sep	Jul	Sep
1250	68	119	9	15
1350	27	56	46	50
1450	5	21	122	113
Copper (Grade A)	**Calls**		**Puts**	
2350	95	105	20	40
2450	38	56	63	98
2550	11	27	135	166
Coffee	**Sep**	**Nov**	**Sep**	**Nov**
600	100	120	2	8
650	57	79	9	13
700	26	47	28	31
Cocoa	**Sep**	**Dec**	**Sep**	**Dec**
500	81		1	
525	58		3	
475	38	69	8	12
Brent Crude	**Aug**	**Sep**	**Aug**	**Sep**
2050	[illegible]	[illegible]	[illegible]	[illegible]
2100	[illegible]	[illegible]	[illegible]	[illegible]
2150	[illegible]	[illegible]	[illegible]	[illegible]

New York

GOLD 100 troy oz.; $/troy oz.

	Close	Previous	High/Low	
Jul	344.3	343.1	0	0
Aug	345.6	344.4	345.8	344.3
Sep	346.5	0	0	0
Oct	347.4	348.2	347.8	346.2
Dec	349.3	348.2	349.6	348.3
Feb	351.5	350.3	351.1	350.8
Apr	353.6	352.4	0	0
Jun	355.9	354.7	355.2	355.0
Aug	358.3	357.1	0	0

PLATINUM 50 troy oz; $/troy oz.

	Close	Previous	High/Low	
Jul	386.6	378.6	387.0	380.0
Oct	388.4	382.1	389.8	384.0
Jan	386.9	380.6	388.5	382.0
Apr	386.0	380.6	386.6	383.0

SILVER 5,000 troy oz; cents/troy oz.

	Close	Previous	High/Low	
Jul	402.9	402.5	404.0	401.0
Aug	404.6	404.6	0	0
Sep	405.5	405.8	407.0	404.0
Dec	410.4	410.4	411.5	409.0
Jan	412.1	412.1	0	0
Mar	415.3	415.3	415.0	415.0
May	418.6	418.6	0	0
Jul	421.9	421.8	421.5	421.0
Sep	425.5	425.7	426.0	425.0
Dec	431.5	431.6	431.5	431.5

HIGH GRADE COPPER 25,000 lbs; cents/lbs

	Close	Previous	High/Low	
Jul	109.20	109.50	109.50	108.80
Aug	109.65	108.90	109.70	109.60
Sep	109.85	109.70	110.30	108.85
Oct	109.45	109.35	0	0
Nov	109.20	109.15	0	0
Dec	109.05	109.05	109.25	108.35
Jan	108.65	108.65	0	0
Feb	108.15	108.15	0	0
Mar	107.75	107.75	107.85	107.75
Apr	107.30	107.30	0	0

SUGAR WORLD "11" 112,000 lbs; cents/lbs

	Close	Previous	High/Low	
Oct	9.30	9.78	9.72	9.18
Mar	9.15	9.55	9.60	9.12
May	9.13	9.47	9.43	9.15
Jul	9.08	9.33	9.25	9.07
Oct	9.06	9.25	9.19	9.05

CRUDE OIL (Light) 42,000 US galls $/barrel

	Close	Previous	High/Low	
Aug	21.66	21.60	21.87	21.62
Sep	21.76	21.57	21.78	21.56
Oct	21.70	21.53	21.70	21.55
Nov	21.64	21.46	21.65	21.50
Dec	21.57	21.42	21.60	21.44
Jan	21.46	21.31	21.44	21.34
Feb	21.33	21.19	21.30	21.28
Mar	21.20	21.06	21.26	21.10
Apr	21.09	20.93	21.04	21.00
May	20.99	20.86	20.96	20.95

HEATING OIL 42,000 US galls, cents/US galls

	Close	Previous	High/Low	
Aug	6062	6041	6075	5975
Sep	6143	6131	6150	6070
Oct	6243	6209	6245	6150
Nov	6333	6300	6350	6260
Dec	6414	6370	6430	6340
Jan	6426	6375	6425	6360
Feb	6309	6255	6290	6225
Mar	6054	6005	6050	5950
Apr	5820	5785	5835	5780
May	5669	5635	0	0

COCOA 10 tonnes;$/tonnes

	Close	Previous	High/Low	
Jul	914	909	927	916
Sep	960	954	978	951
Dec	1011	1009	1032	1005
Mar	1050	1046	1069	1047
May	1066	1075	1095	1067
Jul	1110	1095	0	0
Sep	1138	1133	1146	1145
Dec	1178	1173	0	0
Mar	1211	1213	1220	1210
May	1236	1238	1240	1240

COFFEE "C" 37,500lbs; cents/lbs

	Close	Previous	High/Low	
Jul	57.25	56.60	56.60	56.50
Sep	59.40	58.10	59.50	58.10
Dec	62.10	60.90	62.10	61.10
Mar	64.75	63.75	64.80	63.75
May	69.00	67.90	68.00	67.90
Jul	71.40	70.25	70.75	70.75
Sep	73.65	72.40	0	0
Dec	76.00	0	0	0

COTTON 50,000; cents/lbs

	Close	Previous	High/Low	
Jul	65.53	66.10	65.70	65.25
Oct	63.27	64.01	63.85	63.25
Dec	62.27	63.18	62.70	62.05
Mar	63.45	64.30	63.80	63.10
May	64.02	64.85	64.50	63.90
Jul	64.50	65.10	66.02	64.50
Oct	64.13	64.10	0	0
Dec	64.10	64.10	64.00	64.00

ORANGE JUICE 15,000 lbs; cents/lbs

	Close	Previous	High/Low	
Jul	126.50	127.25	127.50	126.65
Sep	118.80	119.15	119.00	117.80
Nov	114.10	114.95	114.50	113.30
Jan	112.90	113.50	113.00	112.00
Mar	112.80	113.40	113.00	112.25
May	112.60	113.55	112.55	112.50
Jul	112.40	113.05	112.50	112.20
Sep	112.40	113.05	112.50	112.50
Nov	112.40	113.05	112.20	112.20

INDICES

REUTERS (Base: September 18 1931 = 100)

Jul.1	Jun.30	mnth ago	yr ago
1588.1	1585.6	1594.5	1745.4

DOW JONES (Base: Dec. 31 1974 = 100)

	Jun.30	Jun.29	mnth ago	yr ago
Spot	118.05	119.20	117.29	128.66
Futures	120.28	120.48	118.88	124.13

Chicago

SOYABEANS 5,000 bu min; cents/60lb bushel

	Close	Previous	High/Low	
Jul	597/4	600/6	599/0	584/0
Aug	602/2	605/6	605/0	590/0
Sep	606/2	611/0	608/0	595/0
Nov	614/0	618/6	617/0	601/0
Jan	621/4	627/4	624/4	610/4
Mar	629/2	634/6	630/0	617/4
May	632/4	638/2	635/0	622/0
Jul	635/0	640/2	636/0	630/0

SOYABEAN OIL 60,000 lbs; cents/lb

	Close	Previous	High/Low	
Jul	20.59	20.59	20.70	20.07
Aug	20.79	20.74	20.85	20.23
Sep	21.01	20.94	21.02	20.40
Oct	21.13	21.09	21.13	20.59
Dec	21.56	21.41	21.46	20.90
Jan	21.47	21.52	21.50	21.25
Mar	21.72	21.78	21.75	21.30
May	21.92	22.02	22.05	21.70

SOYABEAN MEAL 100 tons; $/ton

	Close	Previous	High/Low	
Jul	180.0	180.8	180.1	177.0
Aug	181.3	181.8	181.6	177.5
Sep	182.6	183.2	182.8	178.5
Oct	199.5	199.7	199.5	198.0
Dec	199.8	200.6	199.8	198.0
Jan	199.7	201.5	199.7	198.0
Mar	202.0	203.5	202.0	199.0
May	204.2	205.2	0	0

MAIZE 5,000 bu min; cents/56lb bushel

	Close	Previous	High/Low	
Jul	252/4	249/2	254/0	246/4
Sep	257/6	253/2	259/4	251/4
Dec	262/6	259/4	264/4	258/4
Mar	269/0	265/6	270/4	264/0
May	271/2	268/0	272/4	267/2
Jul	273/2	270/4	274/0	269/0
Sep	262/6	261/4	263/0	262/0
Dec	259/2	259/0	259/4	259/0

WHEAT 5,000 bu min; cents/60lb-bushel

	Close	Previous	High/Low	
Jul	345/6	349/4	348/0	343/4
Sep	348/2	352/4	350/6	346/2
Dec	358/6	363/2	360/6	356/0
Mar	361/2	364/2	362/6	358/0
May	352/4	353/4	352/4	349/0
Jul	333/0	332/0	333/0	329/0
Sep	338/0	337/0	0	0
Dec	343/4	347/0	343/4	343/4

LIVE CATTLE 40,000 lbs; cents/lbs

	Close	Previous	High/Low	
Aug	72.025	72.425	72.475	71.750
Oct	72.225	72.375	72.600	71.925
Dec	70.825	71.000	71.050	70.450
Feb	70.050	70.200	70.300	69.750
Apr	71.425	71.550	71.600	71.200
Jun	69.050	69.200	69.350	69.000
Aug	68.000	68.025	68.050	68.000

LIVE HOGS 40,000 lb; cents/lbs

	Close	Previous	High/Low	
Jul	46.925	47.325	46.950	46.350
Aug	44.075	44.700	44.150	43.650
Oct	39.750	40.900	39.800	39.450
Dec	41.375	42.825	41.350	41.325
Feb	42.900	44.125	43.250	42.700
Apr	42.250	43.250	42.300	41.900
Jun	47.300	48.025	47.500	47.150
Aug	44.775	45.400	0	44.650

PORK BELLIES 40,000 lbs; cents/lb

	Close	Previous	High/Low	
Jul	30.500	31.100	30.675	29.500
Aug	28.225	29.175	28.350	27.450
Feb	[illegible]	[illegible]	[illegible]	[illegible]
Mar	[illegible]	[illegible]	[illegible]	[illegible]
May	[illegible]	[illegible]	[illegible]	[illegible]
Jul	[illegible]	[illegible]	[illegible]	[illegible]

FINANCIAL TIMES SURVEY

MERSEYSIDE

Thursday July 2 1992

■ Numbers slim down to fit a smaller economy Page 2

■ The four boroughs tha feel unfairly treate Page

Ten years of turmoil have left Merseyside struggling for consensus. Good leaders have emerged and stability is firmer. The conurbation has been slimming down to fit its new, smaller economy, says **Ian Hamilton Fazey**

Living down the past

SIR DESMOND Pitcher, newly knighted in the Queen's Birthday Honours, and chairman of Merseyside Development Corporation, looked over the city of Liverpool from his office, high in the headquarters of Littlewoods, where he is chief executive.

"Merseyside has had to bear the consequences of its image," he said. "No one wants to know the school delinquent. The problems were deeper and worse than in most places, but they were made even worse by a political poison pill. Fortunately, we don't have to live with that so much now."

Sir Desmond is one of the people picking up the pieces after 10 years of turmoil. They began with Liverpool's Toxteth riots in 1981 and – everyone hopes – ended last year, when Liverpool city council withstood seven months of bitter strikes by left-wing town hall trade unions to prove the council runs the city.

The years between saw what Mr Neil Kinnock called "the grotesque chaos" of Militant's domination of Liverpool in the mid-1980s; the abolition by the government of Merseyside county council, the only body ever to have held the place together; the disqualification from office of 47 Liverpool Labour councillors for financial mismanagement; and the break-up of Merseyside's main party of local government – Labour – into almost sectarian left-wing factions.

The means of getting over this trauma are now to hand. Politically, the ultra-left has been marginalised. Moderation and consensus are apparent.

Substantial economic reconstruction has seen Merseyside shrink through migration. It had nearly 1.6m people when it was formed nearly 20 years ago but has closer to 1.4m now.

At 17 per cent, unemployment is bad, but depopulation means it is not getting as bad as it has been. Although 200,000 jobs have been lost since 1977, the bulk of the 420,000 that now exist are well-paid and largely filled by qualified, skilled or at least trained people. Professor Patrick Minford, the Liverpool University economist, says this means the tax base and total local spending power have not eroded.

At the same time, there is plenty to boast about.

■ Mersey Docks and Harbour Company, forgiven its debts by the government and freed from trade union power by the abolition of the National Dock Labour Scheme, has revived the port of Liverpool.

■ Liverpool Freeport is the most successful in Britain and an important selling point to potential inward investors. They like the cash flow benefits of its VAT-free internal regime.

■ Merseyside Development Corporation (MDC) has rescued the Mersey's two waterfronts from dereliction, laying the basis for a tourist industry with 14,000 jobs that brought in 29m visitors last year.

■ Under the energetic Prof Peter Toyne, the elevation of Liverpool Polytechnic into John Moores University – named after the founder of *Littlewoods* – has created a more competitive academic environment for Liverpool University. Merseyside is a good place to live; some of the talented staff and students attracted will, as they always have, stick and stay.

■ Merseyside won two of the 11 national prizes in the government's City Challenge competition, one on each side of the river, with millions of pounds of urban funding now wiping out dereliction in Liverpool and Wirral.

■ The July issue of North West Business Insider, a magazine which chronicles corporate milestones in the region, lists 35 significant projects and developments currently under way in the Mersey docklands.

■ A promotional concert tour by the Royal Liverpool Philharmonic Orchestra to the eastern seaboard of the US in February – paid for by the MDC and with a government minister in attendance – produced 1,000 leads.

■ When the 111 tall ships of the Columbus Grand Regatta finish their race across Atlantic in the Mersey next month, scores of potential US investors will be there to see them, as well as to attend an operatic gala, compered by Sir Peter Ustinov, which the MDC is staging near the Albert Dock.

In spite of all this, Sir Desmond, who took the chair at MDC 14 months ago, and has focused its growth on 10 main project areas, points to a problem stemming from past conflicts.

"Merseyside is full of people with skill and talent," he says. "But it has been like a company whose directors are always arguing with each other."

Urban regeneration elsewhere has demonstrated three main requirements. First, there have to be leaders; second, all involved have to sink their differences and work towards common goals; and, third, each leader has to have a wider vision of the community than their own role in it.

The new Merseyside's latest view, from the Albert Dock, of Liverpool's famous Pierhead

(Photographs for this survey by Mike Arron)

Professor Peter Toyne: energetic

Merseyside has always had good leaders. The problem has been getting them to work together. It is as acute today as ever. Thus, it is proving very difficult to form a Merseyside partnership of local authorities, government agencies and the private sector to set common goals and develop the sort of vision with which Glasgow revitalised itself in the 1980s.

The process is in its third year. Other communities have formed their partnerships in weeks. Merseyside's started after Baroness Chalker, then MP for Wallasey, was the moving force behind a large meeting of all potential partners.

Government support was through the Merseyside Task Force, which co-ordinates the work of various Whitehall departments in the area and controls the purse-strings for most projects in need of public funding.

Prof Graeme Davies became chairman of the putative partnership. His was the politically neutral constituency of Liverpool University, which he had shaken out of years of inertia, as far as its role in the Merseyside community was concerned.

But last year his talents saw him plucked out by the government to run the Universities Funding Council. Mr John Billington, fourth-generation head of Edward Billington & Sons, one of Britain's last three sugar merchants, took over. He has hands-on local government support from Mr David Henshaw, chief executive of Knowsley council.

John Billington: frustrated by slow speed

If this dislocation of chairmanship did not bode well, neither did 10 months of uncertainty about the date of the general election. Labour would have abolished the MDC and created a Merseyside Development Agency with plenipotentiary powers. Local politicians dragged their feet to see what might happen.

Meanwhile, diplomatic gaffes resulted in a failure to invite Liverpool Chamber of Commerce – which has 1,300 members – to take part, as well as Wirral feeling it was being left in the cold. Both mistakes have been rectified, but many people seem incapable of forgetting them.

Mr Harry Rimmer, the moderate Labour leader of Liverpool city council, says he finds it all "depressing". Wirral – which has 23 per cent of Merseyside's population against Liverpool's 30 per cent – already has a successful partnership, with powerful private sector participation from Candy, Unilever, Shell and Vauxhall.

It is reluctant to risk public money on Merseyside and would rather go it alone, though it will probably support Mr Billington for form's sake.

The most active private sector input has to come from Boom – Business Opportunities on Merseyside – an enthusiastic promotional pressure group founded by Mr Geoffrey Piper, formerly Deloitte's regional senior partner – who also runs the north-west business leadership team.

It has 120 influential corpo rate members paying £2,40 each. "Boom will not win itself up if there is no prope vehicle we can hand over to, Mr Piper says emphatically.

Mr Billington says: "I kno what's wanted but I am ver frustrated at the speed we ca do anything. Because of ever one's diary commitments, takes four weeks to arrange meeting that all five counc chief executives can attenc I'm used to getting on with it.

He hopes to have a busines plan to put to a public meetin of potential partners thi month, to recruit a chief execu tive in November and start u officially next April.

If he succeeds, most will se it as a triumph. As Prof Mi ford puts it: "John Billington a very nice man who has ma aged to keep a lot of people i the same room for a long tim That's a major achievement i this area. It's as difficult a doing it in Northern Ireland."

In the meantime, Merseysid will have to go on speaking fo itself. Unfortunately, its hi tory has a very loud voice.

Ian Hamilton Fazey reports on the changing structure

Numbers slim down to fit a smaller economy

IN DECEMBER 1981 Merseyside County Council made a detailed forecast of trends in the local economy, relating them to jobs. It was thought to be scaremongering.

Merseyside had 619,000 jobs in 1977, but by 1981 the total was down to 560,000. The county council foresaw a range of possibilities for 1986 – the year it was to be abolished by the government – from a high of 541,000 to a low of 481,000. It hoped 10,000 jobs would come from inward investment and new initiatives to put the probable level at 500,000.

In fact, the worst fears were realised. The 10 biggest sectors on Merseyside in 1990 employed just over 400,000 people. The total of all sectors, about 20,000 higher, was an almost exact straight-line projection of the "low" forecast.

In half a generation, Merseyside has lost about a third of its jobs, the bulk of them manual. The biggest employment sectors in the 1990s are largely service-based, requiring an educated or skilled workforce.

Manufacturing, 202,000 strong in 1977, has been more than halved in size in terms of jobs. In the modern – and almost full – environment of the new strategic asset of Wavertree Technology Park, unskilled manual labour is not required. The picture appears desperate for those displaced by Merseyside's comprehensive economic restructuring, but – paradoxically – it is not as bad as it looks.

Unemployment rates explain why. The volume of jobs lost since 1977 should have given Merseyside a rate of nearly 40 per cent by now. In fact, unemployment in May was 17 per cent, with 96,319 claiming benefit.

Merseyside's job structure

Sector	Numbers employed
Local & national government	86,900
Retail	53,300
Banking, insurance, etc	51,600
Miscellaneous services	49,900
Medical and health services	41,600
Construction	24,000
Transport	21,400
Wholesale & distribution	17,800
Food & drink	16,300
Tourism	14,000
Vehicles	12,600
Mechanical engineering	12,600
TOTAL	402,000

Source: Dept of Employment & Merseyside Tourism Board

This is actually fewer than the 98,610 of November 1988, when the UK economy was booming. But that was then 16 per cent of the Merseyside workforce. Long-term and short-term, the figures can only mean one thing.

Professor Patrick Minford, Liverpool University's famous monetarist economist, explains: "Depopulation is proving the long-term solution. The sort of jobs that have been coming in have been non-manual. This is a good area for non-manual workers. It has good culture and nice housing stock.

"Manual workers have been looking elsewhere; first they commute to work in other towns and cities and come back home at weekends, then they relocate altogether. The collapse of the private housing market in London and the south has helped because the rented sector there is now healthier and more affordable."

While depopulation ought theoretically to damage the tax base and local spending power, this has not been the case because Merseyside's reshaped economic structure is increasingly skilled, professional and middle-class. There are fewer workers, but they are individually better paid, pushing up overall earnings.

Coupled with lower costs and housing compared with the south, this helps explain why Merseyside as a whole rarely looks like a place on its uppers. Most people lead an affluent, comfortable life, in spite of the inner city's struggle with decline.

This applies not only to professionally qualified or white-collar workers. Mr Terry Greer is chief executive of Johnson Group Cleaners, founded in Liverpool in 1817 and located in Bootle since 1896. It is a highly successful, quoted company, with a thriving international business in the US.

Its cleaning and industrial clothing rental business in Bootle is also group headquarters. There are 360 employees on Merseyside out of Johnson's 5,000 in the UK. Local business has grown dramatically, but not jobs. Output increases have come by training a highly flexible workforce with the skills to deliver increasing productivity – and be paid commensurately.

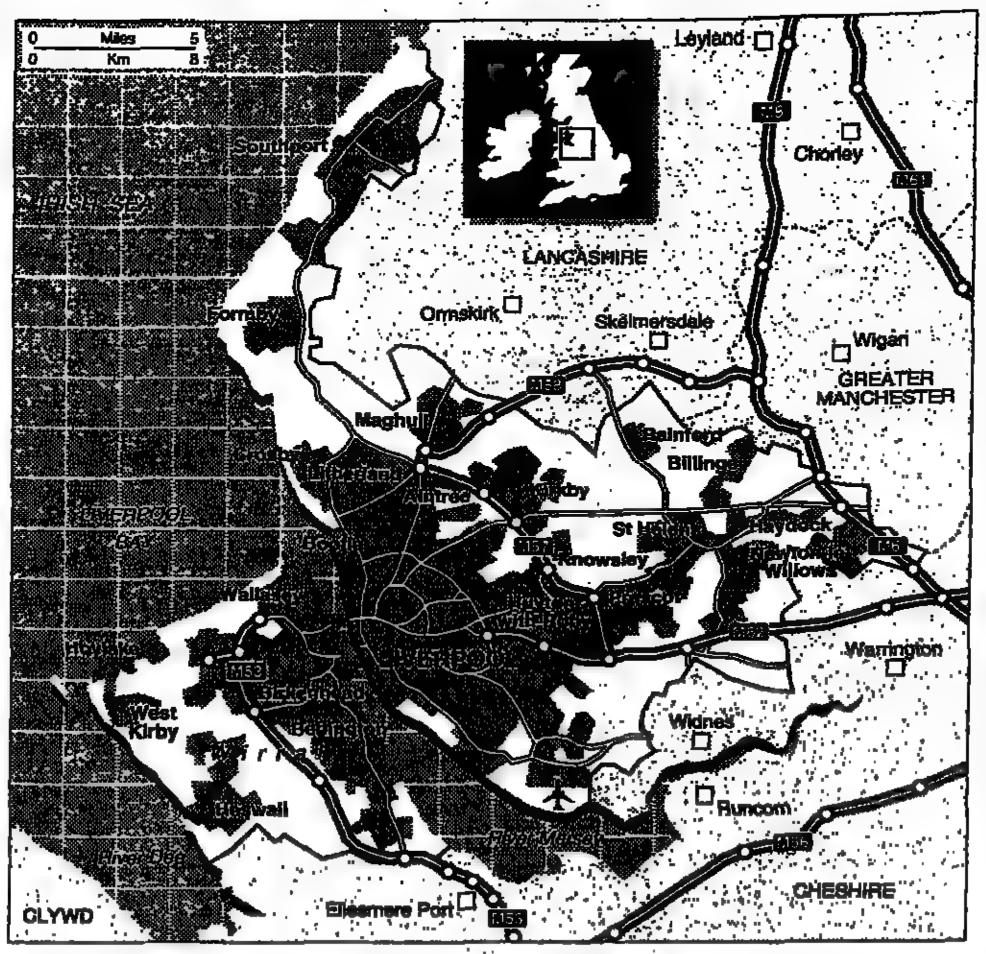
Similar productivity improvements and staffing reductions have produced flexible, mechanised, highly skilled and well-paid jobs in the docks and car factories.

Meanwhile, white-collar areas such as governmental, financial and professional services have grown because of Liverpool's low cost base. There is usually a shortage of suitable staff. Royal Insurance is a principal employer, while stockbrokers Charterhouse Tilney and BWD Rensburg have strong local bases.

Successful law firms include Weightman Rutherfords, Alsop Wilkinson, Lace Mawer, Mace & Jones, and the rapidly emergent Bermans, which also boasts busy offshoots in New York and Manchester and an associate office in Glasgow.

Mr Ian Short of Bermans typifies the upbeat mood: "There were 29 of us in Liverpool in 1979. By 1986 we were up to 60 and we have more than doubled that now. People talk of the need for incentives to attract investment but we have never needed to lever a grant out of anyone."

Like many others, Bermans takes training seriously and supports the Merseyside training and enterprise council.



The USM-quoted company, Rathbones, has been a Liverpool business since before 1742, when its records show it was already a successful timber importer and merchant. For most of this century, it has offered personal financial and fund management services, an extension of an original family sideline through which its famous members found time for good works while safeguarding the Rathbone fortune.

From about 10 people shortly after the war, there are nearer 200 now, spread between offices in London and Liverpool.

According to Mr Sebastian Rathbone: "Merseyside is a jolly good place to run a business. The quality of people is high. They are not cheap, but they are priced competitively and very loyal. Many of our staff have been here more than 15 years; it makes for a better atmosphere in the office and for reliability.

"Our strength is operating from a low cost area to sell our services throughout the world."

The sector which has come from nowhere, however, is tourism, once scoffed at by some Labour politicians as unlikely to produce "proper" jobs. Yet it now employs some 14,000 on Merseyside, with others indirectly affected as suppliers of services to the sector.

Merseyside had 29m visitors in 1990 – the last time tourism was measured comprehensively – compared with 19m in 1985. Numbers of staying visitors – they spend between £40 and £50 each compared with the £6 to £8 of day-trippers – nearly doubled to 3.5m.

Revenues from tourism in 1990 were £335m, compared with £223m in 1985. Last year, Merseyside's average hotel occupancy was 62 per cent, with a July high of 74 per cent. The overall annual figures for Manchester and Cheshire were less than 54 per cent.

Mr Samir Rihani, chief executive of Merseyside Tourism Board, says that 10 years ago tour companies used Liverpool as a cheap watering hole between Chester and the Lake District, paying as little as £15 a night for hotel rooms. The trade rate is more than £40 now, and the visitors are more likely to stay two nights to take in the Albert Dock and Beatles and other heritage attractions.

"It's all about bringing in money," he says. "Money equates to new jobs."

The new industry has also created a new type of skilled operator. When potential inward investors are shown round now, professional guides from the tourism board do the job, well equipped to accentuate the positive. In spite of unemployment, there seem plenty of plusses about.

Future of scheme to dam Mersey is in the balance

Decision day looms

THE TIDE of opinion favouring a barrage across the river Mersey seems to have ebbed. It is not clear whether it will flood back in.

Mooted 10 years ago, the barrage has been the subject of three ever more comprehensive studies since 1987.

It seemed that the barrage would be built when the £2m Stage 1 pre-feasibility study – which was joint-funded by the Mersey Barrage Company and the then Department of Energy – reported at the end of 1988.

The imminent privatisation of the electricity companies imposed a Non Fossil Fuel Obligation (Noffo) on supply companies which would, in time, be required to buy 20 per cent of their power from nuclear or renewable energy sources.

The study envisaged a fixed barrage across the River Mersey between Liverpool and the Wirral. There would be 46 sluices driving 28 turbines, providing 700MW of electricity, operating 12 hours daily. The barrage would provide half of Liverpool's electricity requirement during its expected 120-year life. The cost would be £1bn.

But two of the most serious objections were hydraulic and environmental: what effect will the barrage have on sedimentation within and beyond the estuary and what are the consequences for the wildfowl which winter on the mudflats and sandbanks? These two issues were not fully resolved by stage 1.

Thus, stage 2 of the feasibility studies was set in motion. Again, it was funded by the Mersey Barrage Company and the DE (at a cost of £1.3m). But by this time the government was beginning to have doubts, so it asked the MDC to launch further studies and ask specific questions.

Fearing that it might have another Channel tunnel on its hands with costs escalating into the stratosphere, the government wanted a guaranteed maximum price for the project. It asked for a detailed cost benefit analysis which would cost the non-energy benefits of the barrage. It also wanted a dialogue with the shipping interests to allay their fears about access to the Manchester Ship Canal, and to look closely at the size and times when locks could be open.

Stage 3 studies were set up and this time funded by some of the MBC's shareholders including Tarmac, Costain Civil Engineering, Northern Engineering Industries, and Trafalgar House. Stage 3 cost £3m and the report appeared in summer 1991.

Mr James McCormack, general manager of the MBC, says: "We have answered all the government's questions. We have come up with a cost envelope which gives a guaranteed maximum price of £1bn. Our detailed cost benefit analysis covers everything: environmental costs, congestion costs, tourism benefits and so on.

"We estimate there could be a net economic benefit of £308m at 1991 prices. We have had prolonged talks with the shipping interests, and have done detailed environmental studies. The sedimentation could be resolved by dredging. Still, the government has not given us an answer."

The MBC feels it must have a government response so that it can press ahead with stage 4 which would be a full developmental study costing £16m. It also needs an answer so that a bill can be put through parliament and, not least, so that finance can be raised.

The government's hesitation makes raising finance even for development studies more difficult. However, some critics are not sure the doubts have been stifled by the stage 3 report.

One businessman formerly connected with Manchester Ship Canal says: "It is nonsense to say that shipping would not be affected, when they would have to spend time passing through a lock in the barrage.

"Ships already have to go through one lock to get into the canal at Eastham and this already restricts the use they can make of the tide. I am not sure either whether the sedimentation is as easily resolved as the MBC thinks: one will not know until the barrage is built.

"Also, the cost is too high. If it's jobs you want to create, there are better ways to spend £1bn in Liverpool. Finally there is the environmental argument. At a time when there is an attempt to clean up the Mersey, the barrage would be impounding dirty water."

Another shipping businessman, who also does not want his name revealed says: "The suggested line is close to where Shell's oil tankers unload at Tranmere: construction would interfere with that. Also, these tankers have to be unloaded at high tide, when there is enough depth of water for them when full. It would not be ideal to have oil being unloaded close to turbines going full blast."

Mr McCormack says that the MBC is slowly gaining the confidence of the shipping interests and waxes enthusiastic about the barrage.

"Apart from the environmental benefits, a £1bn investment would give a terrific boost to Liverpool. There would be 4,000 to 5,000 jobs in construction in building the barrage," he says.

He admits to a sense of frustration, however. "As the government drags its feet, the backers start to look for other projects to build. People in the street start believing that the barrage will never take place. People here in this office begin to think their careers are going out on a limb.

"We have asked the government to give us an answer by the summer about stage 4."

Given the government's doubts, whether the company will get one is debatable.

Stewart Dalby

Stewart Dalby on one of the dirtiest rivers in Europe

The clean-up continues

NOW THAT Europe stretches to the Urals, it may well be that more filthy rivers can be found, but the Mersey remains the UK's dirtiest.

Dr James Leeming, regional environment quality manager of the National Rivers Authority, says the Mersey basin contains 20 per cent of Britain's most polluted water courses.

Dr Leeming estimates that one third of the total length of the basin's waterways are too polluted to support a large population of fish; the water can be used for industry but not for drinking. Half as many are worse, supporting only primitive life such as bloodworms.

This sorry state arose because the Mersey basin's catchment area was one of the cradles of the industrial revolution. For more than 100 years, all kinds of industries abused and misused the waterways.

Moreover, the basin is huge, covering an area of 5,000 sq km, with 1,700 km of waterways. It also contains 5m people and their domestic sewerage has been and remains the worst problem.

Sewers, pipes and other facilities were built long ago and are now overstretched. Storm overflows are inadequate, often dumping domestic effluent straight into the Mersey.

The Mersey Basin Campaign – a nationally co-ordinated effort to clean things up – is partly funded by the Department of the Environment and now involves the National Rivers Authority, North West Water, the privatised authority, local authorities and pressure and interest groups.

About £4bn will be spent by 2010 in cleaning up and making onshore improvements.

The standards, set in 1983, aim for 10 per cent dissolved oxygen in the water, and the end of fouling of the foreshore. This means making the water fit for drinking after advanced treatment. Coarse fish such as roach and chub could live in it.

There are slightly different criteria for estuaries, because of the salt water, but the goal for the Mersey estuary is to achieve equivalent improvements to the fresh water feeding it.

Mr Peter Walton, head of the Mersey Campaign Unit, says: "Given the area's large population and industry, it is probably unrealistic to expect that we can get the rivers up to a much higher standard."

It was only with the privatisation of the public sector water utility into North West Water and the establishment of the National Rivers Authority as its regulatory body that the scale of the problem was fully realised, although the need for better river sewerage had long been understood.

As recently as last year largely untreated sewage was being put into the lower river and the estuary – right in the middle of Merseyside or along its coasts. There were 26 outfalls on the Liverpool side and 18 on the Cheshire and Wirral banks, many without even the basic screening provided by grids.

Dr Leeming says: "The biggest source of polluting matter today is from discharges under the control of North West Water. These contains both domestic and trade waste going through their sewers."

North West Water is investing heavily to remedy the situation. At Sandon Dock in Liverpool, a sewage treatment works should make a big difference to Merseyside. This was opened last September on a 20-acre site in the port and cost £50m to build.

A further £150m is being spent on building interceptors to the outfalls. Six outfalls have so far been linked to the Sandon Dock works. Mr Tony Hampson, general manager, estimates these now carry about 45 per cent of all the discharges formerly emptying directly into the Mersey.

Mr John Meacher, Sandon's project manager, says the other outfalls should all be linked up by around 1995. Interim screening has been introduced on the Wirral side and another plant is planned.

By the end of the decade there should therefore be primary treatment for all discharges into the Mersey.

Whether this will make the Mersey clean enough for the European Commission, however, is another matter. Last year, the goalposts were moved.

Anyone who visits Sandon Dock will see that water does not emerge crystal clear. The EC's latest Urban Waste Water Treatment directive demands secondary measures to eliminate suspended colloids, small organic mixtures which do not settle out during primary treatment.

On top of this, another EC directive means that North West Water will not be able to deposit the sludge left over from the settlement process in the Irish Sea, as it has so far. It will either have to build incinerators or use landfill to dispose of it, adding to costs. The company has already leased a new 30-acre site adjacent to Sandon Dock.

North West Water says it is currently investing £500m a year, half this on water treatment and half on renewal of assets, such as old iron pipes. The company will have to go on investing at least these amounts to the end of the decade.

"Anyone who feels we are making excessive profits now or raising our prices too much ought to realise the size of the investment needed," the company says. Charges went up 5 percentage points above inflation this year.

The National Rivers Authority, however, is satisfied. "North West Water is making all the investment needed to meet standards. We have some qualms about the time-scale. We wish they would speed their programme up. It could be 2000 before everything is in place."

But at least by then people should be able to bathe off Crosby beach without feeling they need disinfecting afterwards.

The long war against the left is over, says **Ian Hamilton Fazey**

Turn of the tide

WARFARE is not too strong a word to describe what has been going on in Liverpool politics these past 10 years.

The good news is that the war probably passed its turning point on May 7.

The bad news is that the resultant political stability is at best fragile. Yet confidence of every sort depends on it.

May 7 was local government election day in England and Wales. In Liverpool, 20 left-wingers stood against official Labour candidates. A year before, six had stood and five had won – at a time when Liverpool city council was engaged in a series of bitter strikes by town hall trade unions opposed to 3,000 redundancies needed to reduce overstaffing.

This year's battle was a Pyrrhic victory for Labour: only one of the left-wingers was elected but enough of them split Labour's vote to let the Liberal Democrats through in seven seats. With a Labour net loss of two seats, the new council has 40 Labour members, 37 Liberal Democrats, 18 left-wingers, two Conservatives, one Liberal and one Social Democrat.

The centre – Labour and Liberal Democrats – can therefore control policy. Thus, the crucial question for the governability of the city is: will the centre hold? There is no formal alliance and consensus is not easy. Labour leads and is opposed by the left. The Liberal Democrats can decide, issue by issue, whether or not to support Labour and have already carried out one damaging ambush at sub-committee level.

To make matters worse for Labour, the party whip is currently withdrawn from five of its 40 members over past refusals to toe the party line.

To run the council – and be allocated the majority of committee and sub-committee seats – the five have had to "sign up" with the Labour group, even though they face disciplinary action by the party's national executive and possible expulsion. A rash of probationary forgiveness of past political sins now seems likely.

This is essential for Labour. Next year is a blank in the local government election cycle, so there will be no opportunity to defeat any more of the remaining 18 left-wingers before 1994.

While uncertainty may therefore appear the only certainty, there has nevertheless been a decisive shift of power from the left to the centre. Moreover, management – led by Mr Peter Bounds, an able council chief executive who earned his spurs in the strikes – has re-established control over the council's workforce.

In effect, Liverpool is governable again, after eight years of being run or at least manipulated by the left, mainly for the benefit of left-dominated town hall trade unions.

To the government, opposition parties, business leaders and many ordinary people, Mr Harry Rimmer, Labour's leader, is the man who deserves most of the credit.

At 64 and plagued by summer asthma, he is an unlikely-looking champion – a former electrical maintenance foreman and deputy leader of the abolished Merseyside county council, who was persuaded back into local politics to help clean up the chaos left by Militant's influence on the Liverpool party.

He has several younger supporters now coming through. These, in time, may vie to succeed him, but his has been the will to tackle Liverpool's most pressing political problem: who runs the city?

In Labour terms he is a moderate. Moderation was, however, the last thing he could afford. Mr Keva Coombes, his predecessor, had tried to balance left and right in the party after Labour had won 67 of the council's 99 seats in 1988.

Mr Rimmer realised early on there were too many left-wing fundamentalists in the group for Mr Coombes's balancing act to succeed. Two years ago, he built a base of support and ousted Mr Coombes. This split the Labour group, and supporters of the left were later expelled by the national executive.

That, in turn, laid the ground for Mr Rimmer to tackle the truculent and largely unmanageable town hall trade unions, several leaders of which were known Militants or supporters of other left-wing groups.

"Sometimes, after a depressing day, I used to go home and wonder how I ever got into this, but now there are far fewer days like that"

Battle had to be joined because the district auditor, the government's watchdog on local government spending, had warned the council it was more than 10 per cent overstaffed and in danger of illegal overspending if it did not reduce its payroll.

Even Mr Rimmer was unprepared for the bitterness of the battle as the council sought to impose compulsory redundancies. "I thought I knew how it was, but it was much more sinister," he says. "Managers and supervisors were intimidated and terrified of some of the shop stewards and their supporters."

The council fought last year's strikes with government support. Mr Michael Heseltine, then environment secretary, said any demonstration by the council of a will to manage was bound to improve business and investor confidence in Liverpool. The City was briefed to ensure money market support if cash was needed.

The strikes lasted seven months, but the redundancies eventually went through, in spite of crises and near-chaos caused by more than 12,000 tonnes of rubbish piling up in the streets and the storming and occupation of council buildings by some strikers.

"The strikes were ruthlessly conceived and we never expected them to last so long," Mr Rimmer says. "The key for us was ensuring Liverpool met its financial commitments – in spite of a strike in the Treasury – and so retained the confidence of the City."

He believes victory has dispelled doubts about governability, in spite of the fragmented council. When the Labour Party determinedly stands against trade unions – and wins – in a place with Liverpool's tradition of worker solidarity, it signifies a political sea change.

Mr Rimmer's personal and political courage is widely admired. "We had to show that elected councillors were in charge. What we did was right," he avers. "It's not just business leaders who tell me this, but ordinary people in the street.

"They stop me, perfect strangers, and shake my hand and wish us well. Sometimes, after a depressing day, I used to go home and wonder how I ever got into this, but now I know we have such widespread support there are very many fewer days like that."

Liverpool's financial stability has now been largely restored after the chaos caused by deliberate overbudgeting in the Militant era. Foreign banks, impressed by both Mr Rimmer and Mr Mike Storey, the Liberal Democrat leader, have even rescheduled some debt to give the city extra breathing space.

Underlying problems of urban decline and regeneration are now being tackled with private sector and government support. The fragmented council may even be a blessing. It is forcing political consensus on the centre and marginalising extremists. Almost certainly, the Militant-driven confrontation of the mid-1980s cannot emerge again.

Harry Rimmer, Labour's leader in Liverpool: the man who deserves most of the credit for improved stability

Stewart Dalby reports on a transformation in docklands

The port comes back from the dead

THE PORT, once a byword for appalling industrial relations and inefficiency is now one of Merseyside's success stories.

Mr Trevor Furlong, managing director of the Mersey Docks and Harbour Company, says: "Let me give you a just a few figures. In 1980 we made £800,000 profits and employed 6,000 people, 3,000 of them dockers. Last year we made record profits of £13.2m and employed 1,500 people, 400 of them dockers."

Going further back, the contrast in the company's fortunes is even more dramatic. In the early 1970s, the Dock Board – then a sheltered company – had to be rescued from the brink of bankruptcy by the government after it defaulted on bonds.

The implication of what Mr Furlong says is that the company has been able to make great gains in productivity because of the better industrial relations climate of the 1980s. Although staff numbers were reduced throughout most of that decade, the turning-point came with the government's abolition of the National Dock Labour Scheme in 1989. This scheme had allowed only voluntary staffing reductions.

Mr Furlong says: "It was not just being able to reduce the head count, although that was important. It was also the improvement in working practices with flexible manning levels."

The government has also helped by writing off most of the company's remaining debts of around £100m, allowing it to start paying dividends again.

The company has made efforts to increase the volume of business. The port claims it is the most comprehensive in Britain. Unlike other ports which have a specialisation, say, in containers, Liverpool conducts almost the whole range of business. It has ro-ro facilities and is constantly expanding its container facilities. It trades in oil, bulk liquids and grain. It competes with Rotterdam as the largest trader in scrap metal in western Europe. It is the largest UK port for trade with the eastern seaboard of the US. It is also the largest UK port trading with Ireland.

Additionally, it is the home of Britain's only successful freeport so far. The freeport takes up 640 acres of the company's 2,000 acres of land on both sides of the Mersey. It is currently being expanded to include a further 120 acres of Birkenhead docks. Since the free zone was set up in 1984, it has handled goods worth some £700m from 80 different countries.

More than 100 companies use the freeport. The idea is that companies can ship goods free of import duties and VAT so long as they remain in the zone. Most of the companies using the freeport are involved in warehousing and storage, but a few have started manufacturing. The freeport is a profit centre in its own right.

Merseyside has also developed as a hub port for a number of Mediterranean ports. It takes on cargoes from the US and Africa and tranships them with frequent services to the Mediterranean. This counters the idea that geography is against Liverpool now that the thrust of British trade is with Europe and thus goes mainly through the east coast ports.

In a difficult climate, overall turnover rose by 27 per cent in 1991 to £69.5m, against £54.8m in 1990. However, the increase in business is perhaps best seen in volume terms. Cargo volumes through the port of Liverpool rose in 1991 by more than 1.5m tonnes to 24.7m tonnes. Most trades increased over the previous year. In 1987 the port handled 10m tonnes of cargo.

Mr Furlong mentions two specific growth points for the future. PowerGen is spending £40m on an environmentally sensitive bulk terminal at Gladstone Dock. This will handle 5m tonnes of coal a year.

The other is the dedicated freightliner terminal at the Royal Seaforth Container Terminal. This means that Liverpool will be set to become the landbridge port for Irish trade with Europe, and for containers from North Atlantic deep sea shipping services. It is anticipated that this trade will initially be 60,000 container units once the Channel Tunnel opens.

There are also plans to expand Irish trade to Europe by using the Humberside ports.

Although the core business of the Mersey Docks group of companies is operating the Port of Liverpool and the Liverpool freeport, the group's seven other companies include a port management consultancy, a security service, a travel agency and property development partnerships.

Around 10 per cent or 200 acres of the port's land is non-operational and available for property development. The company has successfully built and mostly sold residential units at Waterloo Dock in conjunction with Barratts Homes.

Recently, the company received planning permission from the Merseyside Development Corporation to develop 1.5m sq ft of offices with P&O at Prince's Dock, a prime site next to Pier Head.

All this should keep profits on a rising curve. This would be welcome. Although pre-tax profits were a record, the need to make provision for tax for the first time meant that earnings per share showed a decline of 5 per cent from 17.9p to 17p.

Relieved of its debts, however, the company's shares have become worth trading again. The government still has a 20 per cent shareholding from the days of the rescue, but is a passive investor. It has said it will sell its shares when the time is right, raising the question of whether the company might even become an attractive takeover target.

Wirral, Sefton, St Helens and Knowsley feel unfairly treated

The 'other' Merseyside

LIVERPOOL IS only 30 per cent of Merseyside. This is the city's share of county-wide costs for such services as policing and waste disposal. Wirral, with nearly a quarter of Merseyside's population, pays 23 per cent, with Sefton, Knowsley and St Helens sharing the rest.

It is easy to see, therefore, why the four other Merseyside boroughs often feel unfairly sullied by Liverpool's problems. They have nearly 1m of Merseyside's 1.4m residents, yet Liverpool hogs the headlines and gives them all a bad name.

Sensitivities show in postal addresses. Many in Wirral – including some prominent people responsible for promoting Merseyside – already describe themselves on their private notepaper as living in Cheshire, and more will do so soon when the government officially allows people to use ancient county names and boundaries in addresses.

Sefton, comprising Bootle, Crosby, Formby and Southport, never uses the name of the Liverpool postal district in the addresses of council offices, even though it is an official part of many of them.

For anyone writing to the council, "Bootle 20" will find most of offices, when the postcode should really be "L20". Moreover, council headquarters in Southport are officially in the "PR", for Preston, postcode district, although many locals would rather be in Lancashire.

A yearning for its old Lancashire roots is also apparent in St Helens, although the borough escapes the Liverpool postcode stigma by being in the "WA", for Warrington, postal area.

Pilkington, the world's largest glassmaker, avoids the image problems of Liverpool by driving most of its visitors to St Helens from Warrington or Runcorn inter-city railway stations or Manchester airport, both routes being mainly green countryside all the way.

Companies in Knowsley, which houses a third of Merseyside's manufacturing industry, can do similarly. Wirral is also easily and directly accessible from Runcorn, Chester or Manchester airport. Even Liverpool's working docks are now entirely in Sefton: the M57 and M58 motorways enable access from the national network without crossing Liverpool's boundary at all.

The problem for the four other Merseyside boroughs, however, is that although many of their residents would rather not live with Liverpool, they cannot live without the place. It is the regional capital, offering rich cultural and recreational diversity, and it is still an important centre for financial and professional services.

Generally, they wish Liverpool could still be looked up to so it could act as Merseyside's leader without embarrassing anyone. No matter Liverpool's progress and present stability, people get fed up of having to explain its past and present problems away, or its litter, or the structure of Merseyside, or that "it's a very nice place to live, really".

The problem for the other boroughs is that their residents do not want to be linked to Liverpool, but they cannot live without the place. It is the regional capital, offering a rich culture

More than 30,000 people from Wirral cross the river each day to work in Liverpool – approaching a fifth of the peninsula's workforce. "Home" for many of them, however, is in the small Deeside towns of Heswall, Neston, Caldy, West Kirby and Hoylake, facing the Welsh hills or Liverpool Bay.

Many other "Liverpool" professional and white-collar workers live in Sefton, in the pleasant, middle-class Conservative constituencies of Crosby and Southport. If they live in St Helens, it will probably be in Rainford.

None of the four outer Merseyside boroughs has a self-contained economy, although St Helens and Wirral probably come closest to not needing Liverpool. This, however, has not stopped them all taking steps to avoid being blighted by the troubled image created by Liverpool in the 1980s.

Politically, they are all stable – Knowsley and St Helens because they are solidly in moderate Labour hands, and Sefton and Wirral because they have three-way hung councils where consensus has to be achieved.

Wirral went through a period of left-wing Labour control, but the council's leader came unstuck when she led a campaign against paying the poll tax and was dumped by an angry electorate in the 1991 local government elections. The Conservatives came within an ace of taking overall control this year and consensus politics now rule.

Whether there will ever be a Merseyside consensus, however, is another matter. Wirral, for example, is very wary of joint marketing to attract inward investment, preferring to compete in its own right.

"We have all the advantages of being an island without the disadvantages," Mr Alan White, the chief executive, points out. "We are midway between Liverpool and Chester and have more golf courses than any comparable borough."

The private sector – dominated by Vauxhall, Unilever and Shell – influences the council greatly and a partnership called the Wirral Investment Network has been formed with Baroness Chalker of Wallasey as its president.

Wirral's private sector appears wary of doing much for Merseyside when this might detract from the obvious selling points of Wirral's proximity to Cheshire and sharing the same pleasant look of that shire county in most respects.

When the council asked its partners what was its most important job, the answer was street cleaning, so as to foster a good image. Clean streets reinforce Wirral's generally pleasant appearance – a stark contrast to Liverpool, where no route out of the city does not pass through a depressing swathe of dereliction or run-down, urban tattiness.

The customer-orientation implied by this response was not lost on Wirral councillors and their officers, who have made cleaner streets a priority. They also get business leaders to present Wirral's case to potential investors. "We're paid to say the place is good, they're not, and so are more likely to be believed," Mr White says.

The borough is also working hard on its European links to maximise the benefits of the single market. There are a high profile "EuroWirral" campaigns at local level and in Brussels itself, again with the private sector to the fore.

Knowsley, meanwhile, is also being pragmatic on industrial development. The borough contains the infamous 1950s outer estate of Kirkby and has desperate unemployment problems. Mr Jim Keight, the council leader, is a retired compositor from the Liverpool Echo. He puts the need for jobs first, and readily eased the arrival in Knowsley of News International's £200m northern printing works, in spite of his own union's anger over Wapping.

Local private sector confidence has manifested itself in other ways, such as IMI Yorkshire Imperial Metals spending £10m modernising its Knowsley factory and BICC investing in new plant.

There was also a 49 per cent increase in VAT registration in Knowsley between 1979 and 1989, the largest locally and well ahead of the 15 per cent rise achieved by Merseyside as a whole.

It is against this background that a Merseyside Partnership of all local authorities and the private sector is struggling for life. Wirral, the second biggest block in Merseyside's structure, probably holds the key, but it is difficult to find much enthusiasm there.

What will probably happen is that Wirral will join, but will not put much effort in and very little money. The "other" Merseyside has its own song to sing and appears to be doing it rather well.

Ian Hamilton Fazey

Doubts about strategy may be confounded, says **Stewart Dalby**

Investment picks up

WHEN Mr Chris Farrow became the new chief executive of the Merseyside Development Corporation (MDC) late last year, he might well have felt he was jumping out of the frying pan into the fire.

He came from London Docklands Development Corporation, which was set up at the same time as its Merseyside counterpart in 1981. The well-publicised problems of Olympia & York in finding tenants for London's Canary Wharf have underlined the dangers of putting the cart of speculative office building before the horse of proper access and infrastructure.

But while many parts of Docklands have attracted private sector investment, Merseyside Development Corporation by contrast has failed, so far, to amass significant similar interest. By 1990, nine years into its supposed life of a decade, the MDC had spent £180m of public money but had generated only £43.5m of private sector investment.

The efforts of the corporation had been accompanied throughout most of the 1980s by a chorus of criticism that the Merseyside waterfront would never become financially viable because the corporation had adopted a misguided strategy.

It had spent a great deal of its funds on reclaiming and gentrifying the Albert Dock as a tourist complex. But although 5m visit the Albert Dock each year it does not provide a great number of jobs.

Critics argued that the corporation should have developed industrial and office sites which would have attracted small high technology companies and other manufacturing concerns. These would have provided jobs for the main category of unemployed – male manual workers.

The debate about strategy came to a head with the resignation from the board of the MDC in 1989 of Professor Patrick Minford, the monetarist economist, over the MDC's rejection of a project for a power station and deep water jetty at Birkenhead, across the Mersey from Liverpool, at a cost of £250m and offering the prospect of 1,000 manual jobs.

The scheme, which would also have involved the Mersey Docks and Harbour Company, was the kind of investment Merseyside needed, Prof Minford argued, providing a growth point to mop up some of the unemployed. He contended that 60,000 unemployed men were not about to join the tourist industry as waiters and barmen.

The MDC rejected the project because it conflicted with the upmarket image it was trying to develop for the waterfront on both sides of the Mersey. In this, the MDC also had an argument, for since that low point its record has improved.

Private sector investment is now put at £250m – just slightly more than the cumulative total of government expenditure. Although much of this is accounted for by investment in residential property, the MDC has also secured its first big office relocations; Customs and Excise is building an office block to accommodate 2,000 staff eventually, and the Inland Revenue is also moving into the MDC area with several hundred jobs. In addition, the site of the 1984 International Garden Festival site has been reopened again, and looks like flourishing as a leisure centre.

For all these reasons, Mr Farrow does not feel he faces a hopeless task and says that there is definite, committed investment in the pipeline. "It is true that the levels of attainment were not very good in the 1980s, but my predecessors did not stand a chance. The political climate was hostile to any kind of investment," he says.

Mr Farrow adds that all the councils on Merseyside and not just Liverpool realise that something must be done to give the area a boost. "All the councils and the private sector are now pointing in the right direction." A recent visit to the eastern seaboard in the US with industrialists and the Royal Liverpool Philharmonic created great interest, he says.

The turning point came in 1988, Mr Farrow believes. "The government had a chance to close the development corporation down then. Instead, it increased the corporation's area from 800 to 2,400 acres. This was a sure sign it was going to keep the corporation going beyond the original 10 years. We now have a new chairman in Sir Desmond Pitcher, the chief executive of Littlewoods, and a new management team," he says.

Like other development corporations, the MDC owns some land and has planning powers over all its area. Besides the Liverpool waterfront, the corporation's area covers Birkenhead across the Mersey and parts of New Brighton, the seaside resort on the Wirral peninsula.

Jobs in the corporation's area could almost double from a current 35,000 to 60,000

Mr Farrow says there are 1,000 acres which could be developed. "Merseyside is not going to attract a company such as Toyota or Honda, capable of employing thousands because there is not the room in the corporation's area. But there will be 10- and 15-acre sites where smaller businesses could come."

The keys to attracting investment are the strategic waterfront sites close to the Albert Dock and Pier Head, places like Prince's Dock, Queen's Dock and George's Dock. "There is room for 3m sq ft of development on these prime sites. There will be office development and also what Merseyside is proving itself very good at – tourism and leisure facilities."

Mr Farrow envisages that the number of jobs within the corporation's area could almost double from a current 35,000 to 60,000, with many of these jobs coming from the service industries. "Liverpool is very competitive in terms of wages and property costs.

It is now where Glasgow was in 1980. The political climate is improved and there are lots of cultural attractions which are not known about. Liverpool has more listed buildings than Bath," he says.

Mr Farrow does not put a time scale on when the investment will arrive but believes the sites will be developed in the 1990s despite the continuing recession.

He is supported in his view by Mr Trevor Furlong, the managing director of the Mersey Docks and Harbour Company. His company, which owns Prince's Dock, has received planning permission from the corporation to develop 1.5m sq ft of offices there in conjunction with P&O. "We are not building speculatively. We are only going to build for pre-lets. But I feel confident there will be the demand for these offices," Mr Furlong says.

Originally a critic of the corporation for concentrating on what he calls "cosmetics", Mr Furlong now feels that small companies in services and even manufacturing will want to come to Merseyside. He believes it will take about five years for Prince's Dock to be built and let or sold.

Even Prof Minford has changed his mind somewhat. He feels that the male manual workers which concerned him three years ago are now exporting themselves to work as far afield as Warrington and Widnes and even London, while Liverpool is beginning to pick itself up through the growth in service industries.

He worries that Merseyside will lag behind as the UK recovers from recession, but says the underlying economic situation in Merseyside is looking better than it was.

Equities return to pre-election levels

By Terry Byland, UK Stock Market Editor

THE DEADLY cocktail of economic gloom and corporate financing and profit worries drove the stock market down below the FT-SE 2,500 mark yesterday for the first time since the re-election of the UK Conservative government in April. The setback was accompanied by a heavy sell-off in the stock index futures sector. At the day's low point, the Footsie was 33 points off and heading for the biggest one-day loss of the year; but a late rally trimmed the fall to 27.3 for a final reading of 2,493.9.

Weakness in share prices was counter-balanced by strength in UK government bonds, prompting suggestions that a large institution might be switching from equities into gilts, by way of the index futures sector.

A leading US securities house was a heavy seller of the September futures contract on the FT-SE Index, and returned aggressively in the afternoon after news of a fall in the latest US National Association of Purchasing Management Index. But at least two UK securities houses were also heavy sellers in the futures market.

Activity in futures also appeared to be related to a large selling programme in the blue chip equities which was completed at mid-session but not printed until the end of the day.

Account Dealing Dates		
*First Dealings:		
Jun 15	Jun 29	Jul 13
Option Declarations:		
June 25	Jul 9	Jul 23
Last Dealings:		
Jun 26	Jul 10	Jul 24
Account Day:		
Jul 6	Jul 20	Aug 3

*New-time dealings may take place from 8.30 am two business days earlier.

Adding to the market's nervousness were the pressures imposed by prospects for the clutch of new share issues now pending. Traders waited anxiously for news on The Telegraph issue, which was not known in market hours, and among retailers there were uncertainties over the planned re-financing of Isosceles and over the pricing for MFI, the furniture group, which is expected today. Investors also have to deliver today their cheques for the £1.9bn second payment on BT shares.

The continued flow of profit downgradings of major British companies by brokerage houses completed the woe of the investment community. However, trading volume was not excessive. Seaq deals increased from Tuesday's 458.5m shares to 495.1m yesterday: "not particularly heavy for a day on which the Footsie fell so heavily and the background was so bleak," commented one leading dealer.

Dealers stressed that equity trading was still affected by technical factors as the market moved yesterday into the first day of dealing for the third quarter of the year. Daily totals of customer or retail business in equities, which are regarded as the most significant guide to investment activity, have remained relatively low this week. Tuesday's customer business was worth only £839.9m, below the £1bn figure seen as the sign of a healthily profitable market from the viewpoint of the big securities houses.

Some market analysts were sceptical of yesterday's setback, which implied that fund managers were over-pessimistic and assuming that the Footsie would struggle to hold 2,600 at the year-end. Equity strategists preferred to emphasise that such a view would overlook the likelihood of some recovery in company profits in the third and fourth quarters of this year.

Glaxo hit by ADR fall

A POOR performance in the US for Glaxo on Tuesday ensured that the shares would follow suit in London yesterday. The pharmaceuticals group was further affected by bearish news on the pricing of drugs in Europe. Glaxo fell 21 to 658p, its lowest level since last August, on heavy turnover of 5.6m.

Shares dealt in the form of American Depositary Receipts (ADRs) had fallen by a dollar in New York to \$25⅛. The ADRs tested an eight-month low following a recent profits downgrading and one dealer said the percentage of Glaxo stock held in ADR form had now dropped below 27 per cent.

Later, marketmakers focused on news that German health care reforms would force companies such as Glaxo and SmithKline Beecham, which dipped 11 to 882p, to reduce drug prices.

The second stage of a price referencing process went into effect yesterday in Germany, and the move will affect the H2-antagonists class of drugs which include Glaxo's headline product Zantac and SmithKline's Tagamet. However, the probability of a price-cutting drive was acknowledged some time ago by most pharmaceuticals analysts.

Granada sparkles

Sparkling interim results from Granada Group sent the shares ahead 13 to 257p, making it the best performing stock in the FT-SE 100 Index yesterday.

The leisure group's 49 per cent rise in profits, to £57.2m, was attributed to extensive cost-cutting rather than a genuine upturn in business. Analysts predicted more savings in the second half and promptly upgraded their forecasts to a range from £112m to £118m for this year, and £135m to £140m for 1993. Hoare Govett, the company's broker, moved from its undervalued stance to buy, although County NatWest advised clients to take profits.

Pressure on Forte continued as rumours of a rights issue circulated but were firmly denied by the hotel group. Behind the market talk was the continued uncertainty surrounding Forte's prolonged proposed disposal of its catering division, including Gardner Merchant, to Compass Group and ARA Holdings, of the US.

Sources close to the talks say the complex negotiations are proceeding, but the £550m sale price originally mentioned is now looking increasingly optimistic. Whispers in the market also suggest some of Gardner Merchant's largest customers are unhappy with the proposed buyers taking over their contracts, with one said to have cancelled its agreement.

However, traders point to other considerations, namely the continued weakness in the UK hotel market. The shares, down to 187p at one stage, finished a net 6 off at 193p, the lowest closing level since December 1987.

The market registered its pleasure with GEC's preliminary figures by hoisting the shares to 240p; they finally settled at 233p for a net gain of 8. Turnover expanded to 16m.

Mr James Ross, electronics specialist at Hoare Govett, described GEC as "undervalued" and said he saw plenty of scope for outperformance by the shares.

The expiry of the June petroleum products contract on the International Petroleum Exchange saw crude oil prices under heavy pressure and triggered another slide in oil shares. The biggest casualty was Lasmo, which dropped 13 to 167p, its lowest since December 1987. The stock had been chased higher on stories that a bid was in the offing.

Big turnover in BP saw 23m shares changing hands, much of which was said to have followed a switch recommendation, apparently by one of the influential London investment houses, out of Shell, 5¼ down at 499½p. BP moved up 5½ to 209p.

The exceptional defensive qualities of the utilities areas of the market were said to have attracted the attentions of at least one of the UK's biggest institutions and led to sharp gains among the stocks.

Worries about the debt refinancing of Isosceles, which owns the Gateway supermarkets group, led to another bout of selling pressure in Standard Chartered and S.G. Warburg. Rumours that Isosceles had encountered refinancing problems have been circulating in the stock market for at least two weeks and triggered a sharp decline in Warburg and Standard Chartered shares in the middle of last week.

Fears of dividend cuts and the slide in the UK equity market and its damaging effect on the composite insurers' solvency margins brought pressure to bear on the sector. Sun Alliance lost 14 to 275p and Royal, a prime dividend cut candidate, according to dealers, declined 6 tp 222p.

Dealing began in British Biotechnology, the first biotechnology company to be listed on the London Stock Exchange. The shares opened at 425p and closed 25 up at 450p.

Electrical goods manufacturer Kenwood made a more than satisfactory stock market debut. The shares, offered at 285p, traded at a 5p premium during early dealing and eventually settled at a 2p premium, in spite of the heavy sell-off in the equity market.

Aegis, the holding company for the world's largest group of media buying and planning specialists, fell 10 to 79p as agency broker James Capel lowered its profits forecasts for the group.

Capel cut its 1992 estimate by £20m, to £29m, and the 1993 figure by £14m, to £46m. The broker said a greater than expected exceptional charge and a "dire performance in France" had prompted the review.

Marketing group WPP held firm at 50p after announcing that it had agreed to swap some 25 per cent of the debt provided by its banking syndicate for new convertible preferred shares. S.G. Warburg upgraded its recommendation on the ordinary and convertible shares to a buy.

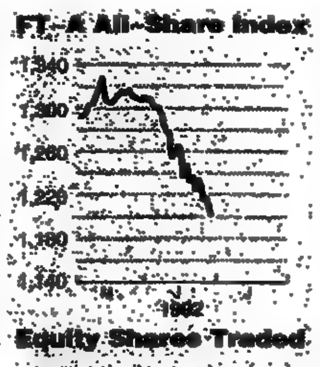
A view that worries about the effect of Germany's withdrawal from the European Fighter Aircraft (EFA) project had been overdone helped British Aerospace, one of the main UK contractors on the project. The shares bounced 4 to 249p on light turnover of 1.5m. An analyst said: "The news on EFA was already discounted in the price."

The fall in BM Group continued unabated. The shares lost 28 to 85p on turnover of 5.6m as financial worries continued to dog the company.

MARKET REPORTERS:
Steve Thompson, Joel Kibazo, Colin Millham.

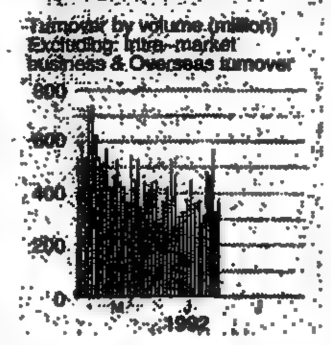
■ Other market statistics, Page 11

FT-A All-Share Index



Equity Shares Traded

Turnover by volume (million)
Excluding: intra-market business & Overseas turnover



FINANCIAL TIMES STOCK INDICES

	July 1	June 30	June 29	June 26	June 25	Year Ago	1992 High	1992 Low	Since Compilation High	Since Compilation Low
Government Secs	89.18	88.91	88.84	88.91	88.73	83.89	89.62 (29/5)	85.11 (1/4)	127.40 (9/1/35)	49.18 (3/1/75)
Fixed Interest	105.33	104.93	104.76	104.57	104.53	93.04	105.92 (2/6)	97.15 (2/1)	105.92 (2/6/92)	50.53 (3/1/75)
Ordinary Share●	1917.3	1942.3	1944.7	1963.9	1994.5	1907.2	2149.7 (22/5)	1851.4 (3/4)	2149.7 (22/5/92)	49.4 (26/6/40)
Gold Mines	89.3	92.1	94.4	94.7	95.3	207.7	160.6 (10/1)	89.3 (1/7)	734.7 (15/2/83)	43.5 (26/10/71)
FT-SE 100 Share	2493.9	2521.2	2515.8	2534.1	2557.3	2460.2	2737.8 (11/5)	2382.7 (3/4)	2737.8 (11/5/92)	986.9 (23/7/84)
FT-SE Eurotrack 200	1161.24	1169.77	1173.91	1179.25	1188.66	1143.96	1248.79 (11/5)	1120.52 (8/1)	1248.79 (11/5/92)	938.62 (16/1/91)
●Ord. Div. Yield	4.79	4.72	4.72	4.69	4.63	4.56				
●Earning Yld %(full)	7.01	6.92	6.92	6.87	6.79	8.72				
●P/E Ratio(Net)(☆)	17.90	18.12	18.14	18.27	18.46	14.11				
SEAQ Bargns 5.00pm	20,570	20,844	19,626	28,510	21,766	22,166				
Equity Turnover(£m)†	-	839.9	703.8	1230.6	1077.5	747.6				
Equity Bargains†	-	23,044	21,690	31,544	24,959	21,159				
Shares Traded (ml)†	-	378.5	329.1	565.1	473.8	354.7				

Basis 100 Govt. Secs 15/10/26, Fixed Int. 1928, Ordinary 1/7/35, Gold mines 12/9/55. Basis 1000 FT-SE 100 31/12/83 & FT-SE Eurotrack 200 26/10/90. ☆ Nil 16.61

Ordinary Share Index, Hourly changes — Day's High 1948.2 — Day's Low 1912.1

Open	9 am	10 am	11 am	12 pm	1 pm	2 pm	3 pm	4 pm
1945.7	1945.4	1943.7	1930.4	1925.1	1923.9	1919.6	1919.7	1917.4

FT-SE 100, Hourly changes — Day's High 2529.4 — Day's Low 2488.1

Open	9 am	10 am	11 am	12 pm	1 pm	2 pm	3 pm	4 pm
2525.6	2524.1	2521.1	2508.8	2503.2	2502.0	2497.3	2498.9	2495.2

FT-SE Eurotrack 200, Hourly changes — Day's High 1169.69 — Day's Low 1160.83

Open	10.30 am	11 am	12 pm	1 pm	2 pm	3 pm
1169.04	1167.18	1165.70	1164.07	1163.98	1162.22	1163.63

GILT EDGED ACTIVITY

Indices*	June 30	June 29
Gilt Edged Bargains	88.5	82.9
5 – Day average	92.2	93.2

*SE Activity 1974.
†Excluding intra-market business and Overseas turnover.

London report and latest Share index: Tel 0891 123001. Calls charged at 36p/minute cheap rate, 48p/minute at all other times

TRADING VOLUME IN MAJOR STOCKS

	Volume 000's	Closing Price	Day's change		Volume 000's	Closing Price	Day's change		Volume 000's	Closing Price	Day's change		Volume 000's	Closing Price	Day's change
AIT	11	440	+12	Commercial Union	1,500	474	-10	Lucas	2,000	117	-5	Shell Transport	3,400	499½	-8½
ASDA Group	11,000	29	-2	Cookson	1,300	142	-2½	MB Caradon	495	247	-11	Siebe	1,400	713	-7
Abbey National	2,100	277	-3	Courtaulds	875	528	-13	MEPC	195	386	-5	Slough Ests	157	186	
Albert Fisher	1,200	67	-2	Dalgety	42	416	+2	Manweb	[illegible]	376	+9	Smith (W H) A	292	439	-10
Allied-Lyons	1,400	629	-1	De La Rue	447	567	-3	Marks & Spencer	1,800	327	-4	Smith & Nephew	5,000	144	-½
Amstrad	312	35½	-½	Dixons	2,800	228	-9	Midland Bank	1,000	458	+9	SmKl Beecham	1,900	882	-11
Anglian Water	766	480	-1	Eastern Elect.	1,100	294	+6	Midlands Elect.	538	337	+11	SmKl Beecham Uts	341	4030	+10
Argos	5,300	239	-10	East Midland Elec.	869	317	+11	NFC	381	264		Smiths Inds	706	293	+6
Argyll Group	2,100	383	-1	Eng China Clays	727	522	-5	NatWest Bank	3,200	326	-2	Southern Elect.	1,100	315	+6
Arjo Wiggins	6,500	226	-3	Enterprise Oil	915	388	-7	National Power	2,400	242		South Wales Elect.	116	377	+5
Ass. Brit Foods	521	425	-2	Eurotunnel Units	115	343	-7	Next	2,900	86	-5	South West Water	164	422	+5
British Airways	2,200	261½	-5	ICI	1,600	1186	-16	Rolls Royce	3,800	148	-6	Utd Newspapers	445	418	-7
British Gas	8,300	249	+4	Inchcape	567	444	-18	Rothmans	244	1133	-30	Vodafone	3,700	334½	-4½
British Land	826	202	-3	Kingfisher	620	485	-11	Rvl Bk Scotland	1,100	187	-3	Warburg (SG)	248	502	-17
BP	21,000	209	+5½	Kwik Save	332	637	-2	Royal Insurance	3,800	222	-6	Wellcome	709	854	-15
British Steel	10,000	59½	-1	Ladbroke	5,300	205	-9	Saatchi	256	148	-4	Welsh Water	368	485	+10
Bunzl	188	160		Land Securities	2,100	461	-1	Sainsbury	3,300	486	-8	Wessex Water	88	502	+8
Burmah Castrol	1,200	597	-10	Laporte	334	588	-9	Scottish & New	254	448	-2	Whitbread 'A'	1,500	436	-3
Burton	3,200	44½		Legal & General	1,200	375	-6	Scot. Hydro-Elect.	3,000	198	+1	Williams Hldgs.	2,300	294½	-12½
Cable & Wire.	2,800	514	-10	Lloyds Abbey	124	395	-3	Scottish Power	2,500	180	+1	Willis Corroon	431	215	
Cadbury Schweppes	3,600	462	-6	Lloyds Bank	1,900	434	-4½	Sears	3,300	81	-3	Wimpey	108	139	-5
Calor Group	225	188	-1	LASMO	2,400	167	-13	Sedgwick	866	179	+2	Wolseley	348	341	-2
Carlton Comms.	805	610		London Elect.	1,400	337	+7	Seeboard	128	347	+6	Yorkshire Elect.	487	379	+8
Coats Viyella	1,500	182	-7	Lonrho	721	77	-1	Severn Trent Water	1,900	408	+4	Yorkshire Water	262	472	+9

Based on the trading volume for a selection of Alpha securities dealt through the SEAQ system yesterday until 4.30pm. Trades of one million or more are rounded down

EQUITY FUTURES AND OPTIONS TRADING

SIZEABLE selling by a number of the larger securities houses led to heavy falls in stock index futures yesterday, writes Joel Kibazo.

Favourable results from GEC and Granada brought a strong opening for the September contract on the FT-SE of 2,555, and that momentum soon carried the contract to 2,561. This proved to be the high of the day, before a sell programme in the underlying cash market by County NatWest – also done in the futures – sent the contract into retreat.

The downward direction continued in the afternoon, with Salomon Bros and James Capel reported to have been among the big sellers of the session. Not even the firm opening on Wall street could curtail the falls in the contract and September eventually closed at 2,510, down 35 on Tuesday's session and around 13 points below its estimated fair value premium to cash of about 25. Turnover at 9,666 was an improvement on recent levels.

Dealers reported a volatile day in the traded options which led to increased volume. Total turnover reached 45,144 lots with the FT-SE option particularly busy at 20,183 contracts.

Lonrho was the most actively traded stock option, with a total of 1,706 lots dealt by the close of business.

FT-ACTUARIES SHARE INDICES

	EQUITY GROUPS & SUB-SECTIONS (Figures in parentheses show number of stocks per section)	Wed Jul 1 Index No.	Day's Change %	Est. Earnings Yield% (Max.)	Gross Div. Yield% (Act at (25%)	Est. P/E Ratio (Net)	xd adj. 1992 to date	Tue Jun 30 Index No.	Mon Jun 29 Index No.	Fri Jun 26 Index No.	Year ago (approx) Index No.
1	CAPITAL GOODS (177)	810.73	-1.1	7.10	5.53	18.27	16.81	819.96	823.97	834.79	795.99
2	Building Materials (22)	887.35	-1.1	6.31	6.32	21.30	25.24	897.50	909.25	932.52	1010.52
3	Contracting, Construction (28)	809.58	-2.4	4.30	7.38	51.07	24.60	829.73	837.51	846.21	1156.02
4	Electricals (9)	2434.60	-0.9	7.14	6.20	18.16	68.82	2457.11	2458.56	2494.80	2265.31
5	Electronics (28)	1987.22	+1.8	8.00	4.38	15.82	9.16	1952.50	1963.52	1985.57	1691.99
6	Engineering-Aerospace (6)	333.82	-0.7	10.92	7.81	11.59	11.27	336.28	338.03	340.88	404.96
7	Engineering-General (43)	499.11	-1.6	8.13	4.79	15.24	9.46	507.34	511.14	519.12	432.56
8	Metals and Metal Forming (8)	306.89	-1.0	0.81	7.19	–	3.60	309.94	310.11	326.90	428.13
9	Motors (14)	334.97	-2.3	7.93	7.02	16.60	10.04	342.71	343.47	349.29	309.55
10	Other Industrial Materials (19)	1739.03	-2.0	7.13	4.75	16.88	34.69	1773.63	1773.18	1776.34	1495.51
21	CONSUMER GROUP (189)	1595.66	-1.4	7.61	3.60	16.13	23.94	1618.78	1614.80	1624.09	1437.19
22	Brewers and Distillers (24)	2054.93	-1.0	8.08	3.60	14.94	29.35	2075.66	2064.80	2081.97	1754.77
25	Food Manufacturing (19)	1241.72	-1.0	8.69	4.24	14.23	23.82	1253.87	1249.74	1250.38	1167.27
26	Food Retailing (18)	2875.33	-1.4	8.44	3.17	15.52	44.70	2917.55	2904.57	2889.33	2607.47
27	Health and Household (24)	3702.81	-1.8	7.45	2.86	15.30	37.81	3772.06	3737.60	3787.65	3500.79
29	Hotels and Leisure (19)	1241.35	-1.8	6.39	5.50	20.35	23.55	1263.99	1276.26	1292.03	1197.07
30	Media (26)	1533.01	-1.2	6.30	3.42	19.63	25.88	1552.17	1546.60	1545.76	1356.19
31	Packaging, Paper & Printing (17)	764.06	-1.2	6.73	4.32	18.01	14.67	773.63	774.35	792.71	685.59
34	Stores (33)	1034.07	-1.6	7.31	3.58	18.04	16.22	1050.99	1059.22	1058.07	874.78
35	Textiles (9)	671.13	-2.0	6.93	4.62	18.24	14.72	684.68	689.74	690.95	530.10
40	OTHER GROUPS (117)	1246.67	-0.9	10.02	5.26	12.46	22.32	1257.63	1258.24	1263.85	1199.28
41	Business Services (17)	1370.24	-2.3	6.30	3.64	19.36	20.78	1403.17	1400.02	1407.48	1234.20
42	Chemicals (22)	1423.51	-1.4	7.42	5.11	16.51	32.18	1444.29	1459.24	1462.04	1383.85
43	Conglomerates (11)	1237.21	....	10.44	7.61	11.96	23.62	1237.94	1250.77	1258.50	1400.80
44	Transport (14)	2466.16	-2.2	8.37	4.75	14.66	51.61	2522.74	2538.59	2540.18	2154.73
45	Electricity (16)	1362.99	+1.1	14.02	5.22	9.04	17.21	1348.32	1336.77	1332.88	1168.61
46	Telephone Networks (4)	1356.74	-1.1	11.48	4.87	11.36	21.77	1372.09	1366.30	1382.47	1407.79
47	Water (11)	2869.74	+0.5	15.47	6.03	7.16	86.85	2855.59	2832.52	2828.15	2232.55
48	Miscellaneous (22)	1998.34	-1.5	5.71	4.93	23.39	24.35	2027.82	2030.18	2041.81	1948.39
49	INDUSTRIAL GROUP (483)	1289.72	-1.2	8.28	4.48	15.04	21.88	1305.33	1305.09	1313.84	1205.51
51	Oil & Gas (17)	1958.68	+0.3	7.74	7.26	16.99	63.73	1952.87	1937.82	1963.90	2368.64
59	500 SHARE INDEX (500)	1354.22	-1.0	8.23	4.76	15.22	25.11	1368.56	1367.30	1377.37	1303.89
61	FINANCIAL GROUP (85)	729.99	-1.0	–	6.22	–	20.03	737.68	738.41	742.78	765.70
62	Banks (9)	945.68	-0.7	5.10	5.77	31.05	24.58	952.77	948.78	947.98	857.55
65	Insurance (Life) (6)	1498.15	-0.3	–	5.94	–	44.26	1502.60	1509.88	1531.13	1439.93
66	Insurance (Composite) (7)	504.23	-3.2	–	6.90	–	13.46	520.73	526.26	541.20	651.76
67	Insurance (Brokers) (10)	816.78	....	9.49	7.95	13.86	29.69	816.80	825.70	832.19	1119.86
68	Merchant Banks (7)	469.94	-1.6	–	4.60	–	11.25	477.74	479.18	475.36	417.81
69	Property (31)	633.34	-0.8	9.18	7.24	14.71	19.27	638.38	639.61	640.02	881.23
70	Other Financial (15)	246.49	-0.4	7.34	7.10	18.40	6.63	247.44	247.45	249.03	256.22
71	Investment Trusts (70)	1138.23	-0.5	–	3.93	–	18.86	1143.61	1142.55	1137.84	1177.30
99	ALL-SHARE INDEX (655)	1204.05	-1.0	–	4.91	–	23.55	1216.62	1215.77	1224.17	1174.97

	Index No.	Day's Change	Day's High (a)	Day's Low (b)	Jun 30	Jun 29	Jun 26	Jun 25	Jun 24	Year ago
FT-SE 100 SHARE INDEX‡	2493.9	-27.3	2529.4	2488.1	2521.2	2515.8	2534.1	2557.3	2532.6	2448.2

FIXED INTEREST

	PRICE INDICES	Wed Jul 1	Day's change %	Tue Jun 30	Accrued interest	xd adj. 1992 to date
	British Government					
1	Up to 5 years (24)	122.43	+0.07	122.34	1.85	6.48
2	5-15 years (24)	138.97	+0.48	138.31	2.37	6.89
3	Over 15 years (11)	149.88	+0.80	148.69	0.85	6.80
4	Irredeemables (6)	166.78	+0.48	165.98	1.24	7.34
5	All stocks (65)	136.24	+0.40	135.70	2.00	6.88
	Index-Linked					
6	Up to 5 years (2)	173.69	+0.08	173.55	0.95	1.83
7	Over 5 years (10)	153.08	+0.17	152.82	0.78	2.40
8	All stocks (12)	154.73	+0.16	154.49	0.80	2.31
9	Debs & Loans (63)	121.50	+1.12	120.29	2.11	6.16

	AVERAGE GROSS REDEMPTION YIELDS		Wed Jul 1	Tue Jun 30	Year ago (approx.)
	British Government				
1	Low	5 years	8.17	8.19	9.07
2	Coupons	15 years	8.80	8.89	10.00
3	(0%-7¾%)	20 years	8.80	8.89	10.00
4	Medium	5 years	9.16	9.22	10.28
5	Coupons	15 years	8.98	9.07	10.23
6	(8%-10¾%)	20 years	8.95	9.03	10.15
7	High	5 years	9.26	9.43	10.56
8	Coupons	15 years	9.15	9.25	10.18
9	(11%-)	20 years	9.08	9.18	10.26
10	Irredeemables		9.11	9.15	10.19
	Index-Linked				
11	Inflation rate 5%	Up to 5 yrs	4.01	4.03	4.48
12	Inflation rate 5%	Over 5 yrs	4.34	4.35	4.34
13	Inflation rate 10%	Up to 5 yrs	3.28	3.30	3.57
14	Inflation rate 10%	Over 5 yrs	4.16	4.17	4.15
15	Debs &	5 years	10.47	10.56	12.09
16	Loans	15 years	10.24	10.30	11.88
17		25 years	10.13	10.26	11.67

‡Opening index 2525.6; 9 am 2524.1; 10 am 2521.1; 11 am 2508.8; Noon 2503.2; 1 pm 2502.0; 2 pm 2497.3; 2.30 pm 2500.9; 3 pm 2498.9; 4 pm 2494.7; 4.10 pm 2490.2. (a) 8.39am (b) 3.17pm † Flat yield. Highs and lows record, base dates, values and constituent changes are published in Saturday issues. A list of constituents is available from the Publishers, The Financial Times, Number One, Southwark Bridge, London SE1 9HL. FT-ACTUARIES SHARE INDICES SERVICE. CONSTITUENT CHANGES: Rowthorpe Holdings (5) is now Bowthorpe.

NEW HIGHS AND LOWS FOR 1992

NEW HIGHS (38).
BRITISH FUNDS (3) Fd 3½pc '99-04, Tr 9pc '12 A, Tr 5½pc '08-12, OTHER FIXED INTEREST ...

LONDON SHARE SERVICE

BRITISH FUNDS

	Notes	Price £	+ or -	1992 high	1992 low	Yield Int.	Yield Red.
"Shorts" (Lives up to Five Years)							
Exch 12¼pc 1992		100⅜	—	101¼	100⅜	12.21	9.80
13½pc 1992		100½	—	102¼	100½	13.41	9.82
Treas 8¾pc 1993		98⅝	—	98⅝	97½	8.39	9.26

BRITISH FUNDS - Cont.

	Notes	Price £	+ or -	1992 high	1992 low	Yield Int.	Yield Red.
Treas 10½pc 1999		106½	+½	107½	101½	9.84	9.14
Conversion 10¼pc 1999		106⅛	+⅛	106⅞	100½	9.69	9.14

BRITISH FUNDS - Cont.

	Notes	Price £	+ or -	1992 high	1992 low	Yield Int.	Yield Red.
Treas 3pc '66 Aft		32	+⅛	32⅛	29½	9.38	–
Consols 2½pc		27⅜	+⅛	27⅞	24½	9.18	–
Treas. 2½pc		27⅛	+⅛	27⅞	24½	9.22	–

Index – Linked

OTHER FIXED INTEREST

LEGAL NOTICES

In the High Court of Justice No. 005948 of 1992 Chancery Division
In the Matter of
NORWICH UNION REAL ESTATE MANAGERS LIMITED
and
In The Matter of the Companies Act 1985

GLOBAL GOVERNMENT PLUS LIMITED
International Depositary Receipts issued by Morgan Guaranty Trust Company of New York

Depositary: Morgan Guaranty Trust Company of New York, Brussels Office

LONDON SHARE SERVICE

AMERICANS

[illegible]

CANADIANS

[illegible]

BANKS

[illegible]

BREWERS & DISTILLERS

[illegible]

BUILDING MATERIALS

[illegible]

BUILDING MATERIALS - Cont.

[illegible]

BUSINESS SERVICES

[illegible]

CHEMICALS

[illegible]

CONGLOMERATES

[illegible]

CONTRACTING & CONSTRUCTION

[illegible]

CONTRACTING & CONSTRUCTION - Cont.

[illegible]

ELECTRICALS

[illegible]

ELECTRICITY

[illegible]

ELECTRONICS

[illegible]

ENGINEERING - AEROSPACE

[illegible]

ENGINEERING - GENERAL

[illegible]

ENGINEERING - GENERAL - Cont.

[illegible]

FOOD MANUFACTURING

[illegible]

FOOD RETAILING

[illegible]

HEALTH & HOUSEHOLD

[illegible]

HOTELS & LEISURE

[illegible]

HOTELS & LEISURE - Cont.

[illegible]

INSURANCE BROKERS

[illegible]

INSURANCE COMPOSITE

[illegible]

INSURANCE LIFE

[illegible]

INVESTMENT TRUSTS

Authorised by the Inland Revenue

[illegible]

INVESTMENT TRUSTS - Cont.

[illegible]

LONDON SHARE SERVICE

INVESTMENT TRUSTS - Cont.

	Notes	Price	+or-	1992 high	low	Yld Gr's	NAV	Dis or Pm(-)
Scot National Inc.		88½	-2	107	83½	13.6	–	–
Cap		20	-1	42	12½	–	23.1	9.5
Stepped Pf	†	141	+½	141¼	126	3.8	–	–
Zero Div Pf		[illegible]	–	[illegible]	100½	–	–	–
Warrants		4½	–	8	3½	–	–	–
Scot Value	[illegible]	[illegible]	–	64	40	[illegible]	60.5	-4.2
Sec Alliance	†	1121	-7	1283	1118	4.2	1295.1	13.2
Second Market	s	231	-1	244	222	4.8	282.8	17.8
Sec Tst Scot		65¼	-1	75½	63	5.5	70.5	5.8
Select Assets		88	-1	102½	88	1.2	124.7	28.6
Eq Ind Serl		116	–	123	109	4.9	–	–
Eq Ind SerII		116	–	123	109	4.9	–	–
Shires		220	-3	249	195	10.7	225.5	-2.0
11pc Cv Ln '03/04		£114½	–	£119½	£95¾	9.4	–	–
Sam Select		72	–	84	72	1.8	86.1	16.5
Warrants		13	–	21	13	–	–	–
Smaller Cos.		80	-1	88	67	4.2	88.8	9.8
Warrants		10	–	20	10	–	–	–
Sphere Inc	N	13½	–	20	13	[illegible]	17.6	23.6
Zero Div Pf		74½	-¼	77¾	65¾	–	–	–
Warrants		6¾	–	9½	6¼	–	–	–
Stratton		154	-2	168	147	1.5	178.2	13.0
Sumit		55	–	55	38	3.8	109.4	49.7
TR City of Lon	M	115½	-1	127½	97½	6.4	112.0	-4.0
TR Euro Growth	s	79	–	88	78	1.7	94.8	16.6
Ptg Sub	s	44	–	54	44	3.6	–	–
TR Far East Inc.	M	89	–	98	78	9.6	100.8	11.7
Warrants		17	–	22	12	–	–	–
TR High Inc		103	–	110	91	7.8	108.6	-4.1
Sub	G	26	–	38	28	7.1	–	–
TR Pacific	s	86	+1	96	71	0.8	95.4	9.8
TR Prop		21¼	-½	27	20	9.1	29.7	28.4
TR Smaller		127	-2	152	118½	3.9	145.3	11.9
TR Technology	M	27	-1	37	25	8.2	77.0	63.6

INVESTMENT COMPANIES

MEDIA

MERCHANT BANKS

METALS & METAL FORMING

MISCELLANEOUS

MOTORS

OIL & GAS

OIL & GAS - Cont.

OTHER FINANCIAL

OTHER INDUSTRIAL MATERIALS

PACKAGING, PAPER & PRINTING

PACKAGING, PAPER & PRINTING - Cont.

PROPERTY

STORES

STORES - Cont.

TELEPHONE NETWORKS

TEXTILES

TRANSPORT

WATER

SOUTH AFRICANS

PLANTATIONS

MINES

MINES - Cont.

GUIDE TO LONDON SHARE SERVICE

Company classifications are based on those used for the FT-Actuaries indices and FT-Actuaries World indices.

Closing mid-prices are shown in pence unless otherwise stated. Highs and lows are based on intra-day mid- prices.

Where stocks are denominated in currencies other than sterling, this is indicated after the name.

Symbols referring to dividend status appear in the notes column daily as a guide to yields and P/E ratios. Dividends and Dividend covers are published on Monday

Market capitalisation shown is calculated separately for each line of stock quoted.

Estimated price/earnings ratios are based on latest annual reports and accounts and, where possible, are updated on interim figures. P/Es are calculated on "net" distribution basis, earnings per share being computed on profit after taxation, excluding exceptional profits/losses and unrelieved ACT where applicable. Yields are based on mid-prices, are gross, adjusted to ACT of 25 per cent and allow for value of declared distribution and rights.

Estimated Net Asset Values (NAVs) are shown for Investment Trusts, in pence per share, along with the percentage discounts (Dis) or premiums (Pm(-)) to the current pre-closing share price. The NAV basis assumes prior charges at par value, convertibles converted and warrants exercised if dilution occurs.

- ■ Indicates the most actively traded stocks. This includes UK stocks where transactions and prices are published continuously through the Stock Exchange Automated Quotation system (SEAQ), and non-UK stocks which are quoted on SEAQ International
- ● "Tap Stock."
- * Highs and lows marked thus have been adjusted to allow for rights issues for cash
- † Interim since increased or resumed
- ‡ Interim since reduced, passed or deferred
- ‡‡ Tax-free to non-residents on application
- ◆ Figures or report awaited
- ♥ Not officially UK listed; dealings permitted under rule 535(4)(a)
- ♣ USM; not listed on Stock Exchange and company not subjected to same degree of regulation as listed securities.
- †† Not officially UK listed; dealings permitted under Rule 535(2)
- # Price at time of suspension
- ¶ Indicated dividend yield after pending scrip and/or rights issue
- ◆ Merger bid or reorganisation in progress
- § Forecast dividend yield; p/e based on earnings updated by latest interim statement.
- ♠ Unregulated collective investment scheme.

a Yield based on annualised dividend
b Figures based on prospectus or other official estimates.
c Cents.
f Flat yield.
g Assumed dividend yield after rights issue.
k Assumed dividend yield after scrip issue.
n Rights issue pending
q Earnings based on preliminary figures.
s Dividend yield excludes a special payment.
t Indicated dividend yield, p/e ratio based on latest annual earnings.
u Forecast, or estimated annualised dividend yield, p/e based on previous year's earnings.
v Subject to local tax.
z Dividend yield includes a special payment
E Auction basis.
F Yield based on prospectus or other official estimates for 1990-91.
G Assumed yield after pending scrip and/or rights issue.
H Yield based on prospectus or other official estimates for 1991
K Yield based on prospectus or other official estimates for 1992-93
L Estimated annualised yield, p/e based on latest annual earnings.
M Yield based on prospectus or other official estimates for 1991-92.
N Yield based on prospectus or other official estimates for 1992.
P Figures based on prospectus or other official estimates for 1991
R Forecast annualised yield, p/e based on prospectus or other official estimates.
T Figures assumed.
W Pro forma figures.
Z Dividend yield to date.

Abbreviations:
xd ex dividend.
xc ex scrip issue.
xr ex rights.
xa ex all.
xc ex capital distribution.

This service is available to companies whose shares are regularly traded in the United Kingdom for a fee of £1200 a year for each security shown, subject to the Editor's discretion

FT MANAGED FUNDS SERVICE

● Current Unit Trust prices are available on FT Cityline. Calls charged at 36p/minute cheap rate and 48p/minute at all other times. To obtain a free Unit Trust Code Booklet ring (071) 925-2128.

AUTHORISED UNIT TRUSTS

Init Chrge	Canc Price	Bid Price	Offer Price	+ or -	Yield Gr's
[illegible]					

AIB Unit Trust Managers Limited (1000)F

[illegible]

Abbey Unit Tst Mngrs (1000)H

[illegible]

Aberforth Unit Trust Managers Ltd (1600)F

16 Chester St, Edinburgh EH3 7RA 031 220 0733

[illegible]

Mercury Fund Managers Ltd—Contd.

[illegible]

Pearl Unit Trusts Ltd (1000)F

[illegible]

Save & Prosper Group (0900)H

[illegible]

Guide to pricing of Authorised Unit Trusts

Compiled with the assistance of Lautro

INITIAL CHARGE: [illegible]

OFFER PRICE: [illegible]

BID PRICE: [illegible]

CANCELLATION PRICE: [illegible]

TIME: [illegible]

HISTORIC PRICING: [illegible]

FORWARD PRICING: [illegible]

SCHEME PARTICULARS AND REPORTS: [illegible]

Other explanatory notes are contained in the last column of the FT Managed Funds Service.

[illegible]

FT MANAGED FUNDS SERVICE

● Current Unit Trust prices are available ... cheap rate and 48p/minute at all other times. To ... ring (071) 925-2128

	Init Chrge	Canc. Price	Bid Price	Offer Price	+ or -	Yield Gr's
Stewart Ivory Unit Tst Mgrs Ltd (1200)H						
45 Charlotte Sq, Edinburgh						031-226 3271
American ¶	5	250.4	250.9	266.9	+1.1	0.87
(Accum Units) ¶	5	295.3	295.3	314.1	+1.3	0.87
British	5	819.6	836.7	885.2	-2.4	6.10
(Accum Units)	5	1374.5	1403.1	1484.5	-4.0	6.10
European	5	337.7	337.7	359.7	-0.2	1.46
(Accum Units)	5	366.1	366.1	389.9	-0.2	1.46
Japan	5	91.41	91.41	97.17	+2.17	-
(Accum Units)	5	92.14	92.14	97.95	+2.19	-
New Pacific	5	202.6	203.0	216.2	-0.2	1.64
(Accum Units)	5	209.7	210.1	223.7	-0.3	1.64
Investment Tst June 12	0	136.3	138.9	147.0	-0.1	2.50
Mngd Equity	5	125.0	126.1	133.4	-2.2	2.93
Mngd Equity Acc	5	132.6	133.8	141.5	-2.4	2.93
Mngd Cash	0	95.38	95.38xd	95.98	----	9.67
(Accum Units)	0	121.9	121.9	122.9	----	9.67
Majority Stlg	1	99.45	99.45xd	100.45	----	9.42
Majority Stlg Acc	1	112.20	112.20	113.32	----	9.42
Storebrand Intl Inv Mngrs Ltd (1200)F						
Admin: 5 Rayleigh Rd, Hutton, Brentwood, Essex						
Enquiries. 0277 227300			Dealing: 0277 261010			
International Jul 1	0	47.71	47.71	48.21	-1.29	1.55
Sun Alliance Unit Tst Mngmt Ltd (1200)F						
St Mark's Court, Horsham						0403 232323
Equity	6	606.8	606.8	649.0	-0.2	3.15
North America	6	75.17	75.17	80.40	-0.08	0.55
Far East	6	[illegible]	[illegible]	90.35	+0.57	0.48
W'wide Bond	6	[illegible]	[illegible]	49.71	-0.17	6.20
European	6	[illegible]	[illegible]	71.47	-0.16	0.81
Equity Income	6	66.74	66.74xd	71.38	+0.16	5.50
Portfolio	6	56.40	56.40	60.32	+0.02	1.68
UK Leading Cos	6	43.24	43.84	46.64	.....	3.16
Exempt Trusts						
Intnl Equity	6	44.13	44.52	47.62	.....	2.87
Sun Life of Canada Unit Mgrs Ltd (1000)H						
Basingview, Basingstoke, Hants						0800 525725
American Growth	6	24.19	24.19	25.88	-0.20	0.81
Managed Assets	6	99.00	99.57xd	106.50	-1.67	3.41
UK Income	6	30.73	31.07xd	33.23	+0.17	4.66
UK Growth	6	31.31	31.62	33.82	+0.13	3.47
Worldwide Growth	6	22.26	22.26	23.81	+0.01	1.35
Sun Life Trust Mngmt Ltd (1200)H						
101, Cannon St, London EC4N 5AD						
Admin & Enq 071-606 4044			Dealing: 071-606 6010			
Master Portfolio	5¼	32.44	32.44	34.70	-0.09	2.44
Amer Growth Acc	5¼	39.06	39.06	41.76	-0.37	0.00
Cap Protector Acc	5¼	36.60	37.06	39.64	..	4.26
[illegible]	5¼	31.77	32.18	34.42	.....	4.26
[illegible]	5¼	56.93	56.93	60.69	-0.27	0.86
Far East Gwth Acc	5¼	77.52	77.52	82.91	-0.67	0.20
Japan Growth Acc	5¼	69.09	69.09	73.80	+0.34	0.00

	Bid Price	Offer Price	+ or -	Yield Gross
Local Authorities Mutual Invest. Tst.*				
2 Fore Street, London EC2Y 5AQ				071-588 1815
Property May 31	190.25	194.05	----	6.21
Equity May 31	922.95	955.85	----	3.76
* Available only to Local Authorities				
M & G Securities Ltd				
Charibond June 29	105.5		+0.1	10.22
(Accum Units)	655.79		+0.2	10.22
NAACIF Jun 30	41.25		-0.3	9.07
Morgan Grenfell Investment Funds Ltd				
Exempt Funds				
UK Equity † June 30	130.6	140.1	----	1.93
UK Small Co † June 30	521.5	472.4	----	3.50
Fixed Interest † June 30	110.8	116.8	----	8.58
US Small Co June 30	132.5	141.8	----	0.00
Managed June 30	109.0	116.7	----	3.67
Intl Bond June 30	121.6	128.5	----	10.03
Japan June 30	56.10	59.77	----	5.32
European June 30	91.29	97.72	----	1.71
Nth American June 30	105.8	111.7	----	1.41
Morgan Stanley International				
UK Exempt	1015.85	1080.00	----	
Overseas Exempt	982.71	1022.46	----	
Murray Johnstone UT Mngmt				
Murray Exempt Funds				
American Exempt	48.40	50.34	-0.49	1.67
European Exempt	50.66	52.65	-1.15	2.79
Fixed Int Ex Jul 1	46.95	47.00xd	-0.93	9.17
Japan Exempt	34.58	35.96xd	+0.79	0.85
Managed Ex June 25	45.72	47.96	----	4.10
SE Asia Exempt	77.74	81.89	-2.42	2.00
Sm Cos Expt Jul 1	35.17	37.23	-1.10	3.18
UK Eqty Ex Jul 1	42.86	44.80	-1.37	3.84
Phillips & Drew Fund Management Ltd				
Small Co's Jun 3	776.91	783.90	----	3.76
Do Accum	860.3	913.16	----	3.76
Int Eqty Jun 25	182.87	186.72	----	1.79
UK Index Jun 23	1268.39	1288.41	----	4.44
Do Accum	1416.17	1434.08	----	4.44
Convertible Jun 29	97.84	100.94	----	7.99
World ex UK Index Jun 30	691.7	699.92	-7.71	2.18
Do Accum	691.7	699.92	-7.71	2.18
Japan Index Jun 30	390.39	397.61	-7.98	0.87
Do Accum	392.93	399.18	-7.96	0.87
USA Index Jun 30	978.79	985.49	-11.02	2.89
Do Accum	1000.25	1007.28	-11.49	2.89
Europe ex UK Index Jun 30	904.57	918.23	+2.20	3.25
Do Accum	940.71	954.91	+2.28	3.24

INSURANCES

OTHER UK UNIT TRUSTS

Continued on next page

FT MANAGED FUNDS SERVICE

• Current Unit Trust prices are available on FT Cityline. Calls charged at 36p/minute cheap rate and 48p/minute at all other times. To obtain a free Unit Trust Code Booklet ring (071) 925-2128.

	Bid Price	Offer Price	+ or -	Yield Gross
Pearl Assurance (Unit Funds) Ltd				
Lynch Wood, Peterborough PE2 6FY 0733 470470				
Property Dist. (Gross)	135 9	143 0		-
Property Acc. (Gross)	258 9	272 6	[illegible]	-
Equity (Gross)	870 5	[illegible]	+4 6	-
Managed (Gross)	611 2	[illegible]	+3.2	-
Property Acc. (Net)	123 9	130 3		-
[illegible]	[illegible]	212 8	+0 9	-
Adventurous Managed	92 0	96 8	-0 5	-
Managed (Net)	[illegible]	199 0	+0 9	-
[illegible]	95 9	100 9	-0 1	-
[illegible]	161 0	169.5	+2 5	-
Gilt & Fixed Interest	140.8	148 3	+0 4	-
Money Fund	139 9	147 3	[illegible]	-
[illegible]	117 3	[illegible]		-
Mixed Fund (Acc)	121 7	128 2	.	-
Pearl Assurance (Unit Linked Pens) Ltd				
Ret Man (Series 1)	661 1	695 9	+0 7	-
Ret Man (Series 2)	224 2	236 0	[illegible]	-
Ret Cash	197 2	207 6	+0 1	-
Pens Mixed Fd (Cap)	[illegible]	137 0		-
Pens Mixed Fd (Acc)	135 1	142 3		-
Pens Stlg Fd (Cap)	103 5	109 0	-	-
Pens Stlg Fd (Acc)	107 5	113 2		-
Pegasus Assurance Ltd				
Broad Quay, Bristol BS1 4DJ 0272 230271				
[illegible]				
Managed Aggressive	102 7	108 1	..	-
Managed Balanced	99 8	105 1		-
[illegible]	111 9	117 8		-
Pension Funds				
Managed Aggressive	105 2	110 8		-
[illegible]	104 9	110 5		-
[illegible]	115 7	121 8		-
For Pioneer Mutual see Swiss Pioneer				
Premium Life Assurance Co Ltd				
37-39, Perrymount Road, Haywards Heath 0444 458721				
American	134 0	[illegible]	-1 0	-
Building Soc. Fd	223 0	235 0		-
Balanced	271 0	286 0	-1 0	-
[illegible]	206 0	217 0	-1 0	-
GT Managed	184 0	194 0	-1 0	-
Gartmore Mngd	121 0	128 0	-1 0	-
[illegible]	133 0	140 0		-
[illegible]	180 0	190 0		-
Global	40 0	[illegible]		-
[illegible]	197 0	208 0	-1 0	-
[illegible]	161 0	170 0	-1 0	-
Leisure	[illegible]	[illegible]		-

	Bid Price	Offer Price	+ or -	Yield Gross
Provident Mutual Life Assc. Assn. - Contd.				
Index Linked Gilt Init	127 9	134 6	-0 1	-
Overseas Equity Ord	254 9	268 3	-1 4	-
Overseas Equity Init.	186 0	195 8	-0 9	-
Property Ord	222 3	234 0	+0 3	-
[illegible]	162 2	170 7	+0 2	-
Fixed Interest Ord	228 9	240 9	+0 4	-
Fixed Interest Init.	167 0	175 8	+0.3	-
[illegible]	[illegible]	196 9	.	-
[illegible]	136 5	143 7		-
Pension Funds				
Managed Ord	456.5	480 5	+0 3	-
Managed Init	333 0	350 5	+0 2	-
Equity Ord	[illegible]	743 3	+1 5	-
Equity Init	515 1	542 2	+0 9	-
Pen Ind Lkd Gilt Ord	189.5	199 5		-
[illegible]	144 4	152 0		-
Overseas Equity Ord	289 0	304 2	-1 1	-
Overseas Equity Init	210 9	222 0	-0 7	-
Property Ord	279 8	294 5		-
Property Init.	204 2	214.9	+0 1	-
Fixed Interest Ord	291 5	306 8	+0 5	-
Fixed Interest Init.	212 7	223 9	+0 4	-
Deposit Ord	268 7	282 9		-
[illegible]	196 1	206 4	+0 1	-
Prudential Assurance Co				
Holborn Bars, London EC1N 2NH [illegible]				
Prudence				
Managed Jul 1	256 8	267 9	-0 11	-
Prudential Corporate Pension Funds				
1 Stephen St, London W1P 2AP 071-548 3281				
Prudential Managed Funds				
Discretionary Jun 25	£187 13	192 93	--	-
Equity Jun 25	£217 34	224 78	-	-
International Jun 25	£26 18	26 74	--	-
Intl Bond Jun 25	£14 13	14 32		-
Fixed Int Jun 25	£105 16	106 35		-
Index Linked Jun 25	£77 17	78 15	-	-
Property Jun 25	£109 76	119 75	-	-
Cash Jun 25	£30 7383	30 7383		-
Pru-Linked Retirement [illegible]				
Managed Jun 30	442 0	460 4	-0 2	-
Cash Jun 30	282 9	294 7	+0 6	-
Prudential Pensions Investment Account				
Pens Mngd Jul 2	177 0	190 4	-0 1	-
Pens UK Eq Jul 2	315 1	339 7	-0 4	-
Pens Intl Jul 2	186 3	200 4	-0.1	-
Pens Global Eqty Jul 2	[illegible]	103 5	-0 1	-
Pens Fixed Jul 2	234 8	253 2	+0 8	-
Pens Index Lk Jul 2	197 5	208 5	-0 1	-

OFFSHORE INSURANCES

MANAGEMENT SERVICES

OFFSHORE AND OVERSEAS

BERMUDA (SIB RECOGNISED)

CANADA (SIB RECOGNISED)

GUERNSEY (SIB RECOGNISED)

GUERNSEY (REGULATED)(**)

IRELAND (SIB RECOGNISED)

IRELAND (REGULATED)(**)

ISLE OF MAN (SIB RECOGNISED)

حكام مع الأصل

FT MANAGED FUNDS SERVICE

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	Init Chrge	Canc. Price	Bid Price	Offer Price	+ or -	Yield Gr's
Allied Dunbar Intl Fund Mgrs – Contd.						
ADI Ria Amer Gth	5	0.7905	0.7905	0.8418	[illegible]	[illegible]
ADI Far East (z)	5	1.166	1.166	1.241	[illegible]	0.64
ADI Gth & Income	5	0.2490	0.2490	0.2629	[illegible]	8.53
ADI UK Cap Gth	5	0.231	0.231	0.246	[illegible]	3.37
ADI Europe Fd (z)	5	1.749	1.749	1.223	[illegible]	1.7
For conversion Prices of Shares Phone: 0624 662860						
Asset Global Funds Ltd (1200)						
Victory Hse, Prospect Hill, Douglas, IoM 0624 620097						
European Equity	5	13.317	13.317	14.29	-0.14	–
UK Gilt	5	10.541	10.541	11.09	+0.06	–
Intl Equity	5	13.825	13.825	14.90	+0.20	–
[illegible]	5	5.11	5.11	5.392	[illegible]	–
Ashburton Managed	5	0.9859	0.9859	1.0415	[illegible]	–
European Bond	5	1.0313	1.0313	1.0860	[illegible]	–
Sterling Cash Inc	5	0.9922	0.9922	1.0418		–
CMI Fund Managers (IoM)						
Clerical Medical Hse, Douglas, IoM 0624 625599						
High Income	5	0.4812	0.4812	0.5065	[illegible]	10.5
CMI Core Portfolio Fund						
UK	5	£–	0.9816	1.0532	[illegible]	–
USA	5	£–	0.9708	1.0300	[illegible]	–
Japan	5	£–	0.4259	0.4389	[illegible]	–
Equity & Law Intl Fund Mngrs Ltd						
Victory Hse Prospect Hill, Douglas IoM. 0624 677877						
Total Income Fd	5	95.65	95.65	100.67	+0.05	10.0
Gartmore Fund Managers (IoM)						
PO Box 32, Douglas, IoM 0624 627610						
Intl Grth	5¼	464.2	464.2	497.4	(z)	0.9
Leopold Joseph Fund Mngrs (IoM) Ltd						
PO Box 52 Athol St Douglas IoM 0624 661020						
LJ International	5¼	90.11	90.11	96.76	-0.47	–
Mercury Fund Managers IoM Ltd						
11 Hill Street, Douglas IoM 0624 662255						
Merc IoM Fund	5	103.0	103.0	109.9	-0.20	6.3
Merc Intl Bond	5	49.99	49.99	52.55	-0.11	8.7
Sun Life Management (IoM) Ltd						
PO Box 178, Douglas, IoM 0624 622444						

ISLE OF MAN (REGULATED)

JERSEY (SIB RECOGNISED)

JERSEY (REGULATED)

	Init Chrge	Canc. Price	Bid Price	Offer Price	+ or -	Yield Gr's
Citibank (CI) Ltd "Citifunds"						
Short term Investment Funds						
Irish £ Jan 25			118.886			–
Equity Funds						
Japan Equity Jan 25			57.031			–
US Em Hlth Jan 29			$20.874			–
US Em Tech Jan 29			$17.396			–
Citicare Jan 29			$32.032			–
Bond Funds						
GNMA Bond Jan 29			$15.039	15.039		–
HYB (A) Jan 29			$90,787.046			–
EBC Trust Company (Jersey) Ltd						
EBC Amro Traded Currency Fund Ltd*						
Income			$15.28	15.759	(z)	2.75
Capital			$25.77	24.524	(z)	5.50
*Offer price includes 3% prelim. charge						
International Income Fund						
Extended Long Term*			$34.29	35.8524	+0.1348	4.71
*Offer Price includes 3½% Initial Charge						
EquitiLink International Mngt Ltd						
First Aust Prime Inc Inv Co Ltd NAV June 25 C$13.08xd						
First Aust Prime Inc Inv Co Ltd NAV June 25 US$10.95xd						
NAV-Diluted to reflect exercise of all Wnts C$12.74 US$20.67xd						
Fidelity Investment (CI) Ltd						
Sterling American			£2.447	2.575	+0.006	–
Fleming Group						
Robert Fleming Management (Jersey) Ltd						
Deutschland Inv Co NAV			DM16.53		(z)	–
Foreign & Colonial Mngt (Jersey) Ltd						
Hypo Foreign & Colonial Reserve Asset Fd Ltd						
US$ Cash			$10.73			–
Sterling Cash			£12.02			–
US$ Bonds			$14.99		-0.01	–
Multicurrency Bonds			$20.38		-0.05	–
Sterling Bonds			£13.38		+0.02	–
D Mark Bonds			DM10.54		-0.01	–
Ecu Bonds			Ecu11.63		-0.02	–

LUXEMBOURG (SIB RECOGNISED)

LUXEMBOURG (REGULATED)

	Bid Price	Offer Price	+ or -	Yield Gross
Dean Witter World Wide Invest. Tst SA				
NAV	$25.64			–
The Dragon Fund Sicav				
NAV Jun 30	$116.73		+2.351	–
Espirito Santo Investment Mgmnt (SICAV)				
Southern European Fd	$8.76		-0.15	–
ECU Bond	Ecu104.74		+0.13	–
Eurecu Management S.A.				
Eurecu Fd NAV June 18	Ecu26.19			–

	Bid Price	Offer Price	+ or -	Yield Gross
Aetna Malaysian Growth Fd (Cayman) Ltd				
NAV June 29	$9.4665			–
Alliance Capital				
International	$14.98	15.85	-0.03	–
International Class B	$14.81	14.81	-0.03	–
Quasar	$19.69	20.84	+0.27	–
Quasar Class B	$19.46	19.46	+0.27	–
Global Small Cap	$10.13	10.72	+0.09	–
Global Small Cap Class B	$10.01	10.01	+0.08	–
Canadian Fd	$5.05	5.34	+0.01	–

	Bid Price	Offer Price	+ or -	Yield Gross
Global Asset Management – Contd.				
GAM High Yield	$129.00			–
GAM Hong Kong	$390.79			–
GAM International	$151.22			–
GAM Japan	$581.56			–
GAM Nth America Fd	$127.22			–
GAM Money Mkt US$	$100.02xd			–
Do Sterling	£100.08xd		+0.03	–
Do Swiss Fr	SFr100.06xd		+0.02	–
Do Deutschmark	DM100.08xd		+0.03	–
Do Yen	Y10003xd		+1	–

	Bid Price	Offer Price	+ or -	Yield Gross
Orbis Investment Management Ltd				
Orbis Global Eqty	$12.17	12.79		–
Orbis Optimal Eqty	$17.44	18.32		–
Orbis Leveraged Eqty	$17.49	18.49		–
Prices on June 25 Next Pricing July 2 Weekly Pricing				
Orbitex Bahamas Ltd				
Orbitex Nat Res Fd	C$8.0802	8.8882		–
Orbitex Growth Fund	$6.6176	7.2794		–
[illegible]	$4.5625	5.0188		–

SWITZERLAND (SIB RECOGNISED)

OTHER OFFSHORE FUNDS

	Bid Price	Offer Price	+ or -	Yield Gross
Wellington Fd Mngrs (Bermuda) Ltd				
[illegible] Growth Fd	$13.57	14.26	+0.29	–
Wells Fargo U.S. TT Fund				
Wells Fargo A Shs	$11.04			–
Wells Fargo B Shs	$10.81			–
Worldwide Limited				
[illegible] 29	$96.19			–
Xiphias International Investment Fd Ltd				
Xiphias Inv USD	$1.0910			–
Xiphias Inv ECU	Ecu1.0676			–
Yamaichi Capital Mngmt (Guernsey) Ltd				
[illegible] Fund	$10.19			–

MANAGED FUNDS NOTES

CURRENCIES, MONEY AND CAPITAL MARKETS

FOREIGN EXCHANGES

Growth fears depress dollar

THE DOLLAR yesterday continued its run of weakness amid fears about the pace of the US economic recovery, *writes Peter Marsh.*

While some international investors switched money out of dollars on speculation that the US Federal Reserve might soon sanction a cut in borrowing rates, the D-Mark was relatively strong due to unease in financial markets about progress towards European currency union.

The US currency's weakness was triggered mainly by news of an unexpectedly sharp drop in an index of economic activity compiled by the National Association of Purchasing Management. This fell to 52.8 last month from 56.3 in May, indicating relative gloom about economic prospects.

After President George Bush's comments last week that he would like to see lower US interest rates, this led to some bullishness about imminent action by the Fed. But a contrasting argument is that the US central bank may refrain from changing borrowing costs, if only to show its unwillingness to bow to political rhetoric.

The dollar ended in London at DM1.517, down more than ½ pfennig from Tuesday's DM1.5235 close. It had fallen to DM1.51 earlier in the day, within striking distance of this year's low point of DM1.5045. In New York the dollar rallied to finish at DM1.5236.

The US unit also declined against sterling, which finished at $1.911, compared with $1.904 previously, while against the yen, the dollar slipped to Y124.9 from Y125.85. The dollar improved in New York to end at Y125.35, with the UK currency at $1.9045.

The pound was finally quoted in London unchanged against the D-Mark at DM2.9, but many dealers are unenthusiastic about the possibilities of gains by the UK currency in the coming weeks. It is still the weakest unit in the European exchange rate mechanism.

A combination of worrying news about the UK economy and fears that the Maastricht deal on European union might unravel has unsettled many sterling investors. "The pound is going to be vulnerable to jitters in the short term," said Mr Ifty Islam, a currency specialist at UK investment house Barclays de Zoete Wedd.

The French franc ended at FFr3.364 to the D-Mark, from FFr3.365 the previous night, while the Italian lira, second weakest member of the ERM, eased to L756.6 against the D-Mark from L756.2.

● Fourteen banks, including Barclays, Commerzbank, Midland, and Hongkong Bank, have set up a foreign exchange clearing house in London.

● In Budapest, Hungary's first interbank foreign exchange market made a cautious start. Less than $10m changed hands but the National Bank of Hungary said it was pleased.

£ IN NEW YORK

July 1	Close	Previous Close
£ Spot	1.9040-1.9050	1.9040-1.9050
1 month	1.00-0.98pm	1.04-1.02pm
3 months	2.96-2.93pm	2.91-2.88pm
12 months	9.97-9.87pm	9.97-9.87pm

Forward premiums and discounts apply to the US dollar

STERLING INDEX

	July 1	Previous
8.30 am	93.2	93.0
9.00 am	93.2	93.0
10.00 am	93.1	93.0
11.00 am	93.2	93.0
Noon	93.1	93.0
1.00 pm	93.1	93.1
2.00 pm	93.1	93.1
3.00 pm	93.2	93.1
4.00 pm	93.2	93.1

EMS EUROPEAN CURRENCY UNIT RATES

	Ecu Central Rates	Currency Amounts Against Ecu Jul 1	% Change from Central Rate	% Spread vs Weakest Currency	Divergence Indicator
Portuguese Escudo	178.735	171.182	-4.23	5.97	69
Spanish Peseta	133.631	129.436	-3.14	4.78	53
Belgian Franc	42.4032	42.1536	-0.59	2.09	28
D-Mark	2.05586	2.04832	-0.37	1.86	23
Dutch Guilder	2.31643	2.30873	-0.33	1.83	14
French Franc	6.89509	6.89350	-0.02	1.51	1
Irish Punt	0.767417	0.768147	0.10	1.39	-4
Danish Krone	7.84195	7.88002	0.49	1.00	-32
Italian Lira	1538.24	1550.06	0.77	0.72	-38
Sterling	0.696904	0.707281	1.49	0.00	-51

Ecu central rates set by the European Commission. Currencies are in descending relative strength. Percentage changes are for Ecu; a positive change denotes a weak currency. Divergence shows the ratio between two spreads: the percentage difference between the actual market and Ecu central rates for a currency, and the maximum permitted percentage deviation of the currency's market rate from its Ecu central rate.
Adjustment calculated by Financial Times.

POUND SPOT - FORWARD AGAINST THE POUND

Jul 1	Day's spread	Close	One month	% p.a.	Three months	% p.a.
US	1.9065 - 1.9165	1.9105 - 1.9115	0.99-0.97cpm	6.15	2.96-2.93pm	6.16
Canada	2.2925 - 2.3015	2.2945 - 2.2955	0.93-0.86cpm	4.68	2.67-2.54pm	4.54
Netherlands	3.2615 - 3.2725	3.2625 - 3.2725	0.12-0.04cpm	0.29	0.28-0.16pm	0.27
Belgium	59.50 - 59.70	59.60 - 59.70	3-2cpm	0.50	9-4pm	0.44
Denmark	11.1350 - 11.1610	11.1350 - 11.1450	¼-1oredis	-0.67	⅝-1¼dis	-0.45
Ireland	1.0850 - 1.0890	1.0850 - 1.0860	0.02pm-0.01pdis	0.06	0.04pm-par	0.11
Germany	2.8915 - 2.9025	2.8975 - 2.9025	⅛pfpm-par	0.26	¼-⅛pm	0.26
Portugal	241.20 - 242.45	241.50 - 242.00	15-75cdis	-2.23	145-135dis	-2.32
Spain	182.80 - 183.45	182.90 - 183.20	33-45cdis	-2.56	110-131cdis	-2.63
Italy	2189.80 - 2194.75	2193.75 - 2194.75	7-8liredis	-4.1	18-20dis	-3.46
Norway	11.3390 - 11.3660	11.3475 - 11.3575	⅛-⅜oredis	-0.3	⅛-1⅛dis	-0.26
France	9.7345 - 9.7600	9.7500 - 9.7600	par-⅛cdis	-0.15	⅛-⅛dis	-0.13
[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]

Commercial rates taken towards the end of London trading. Six-month forward dollar [illegible].

DOLLAR SPOT - FORWARD AGAINST THE DOLLAR

Jul 1	Day's spread	Close	One month	% p.a.	Three months	% p.a.
[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]

Commercial rates taken towards the end of London trading. † UK, Ireland and ECU are quoted in US currency. Forward premiums and discounts apply to the US dollar and not to the individual currency.

CURRENCY RATES

Jul 1	Bank % rate %	Special * Drawing Rights	European † Currency Unit
Sterling	-	0.754041	0.707281
U.S Dollar	3.50	1.43117	1.35140
[illegible]	[illegible]	[illegible]	[illegible]

§ Bank rate refer to central bank discount rates. These are not quoted by the UK, Spain and Ireland. † European Commission Calculations. * All SDR rates are for June 30

EURO-CURRENCY INTEREST RATES

Jul 1	Short term	7 Days notice	One Month	Three Months	Six Months	One Year
[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]

CURRENCY MOVEMENTS

Jul 1	Bank of England Index	Morgan Guaranty Changes %
[illegible]	[illegible]	[illegible]

Morgan Guaranty changes: average 1980-1982=100. Bank of England Index (Base Average 1985=100). **Rates are for June 30

EXCHANGE CROSS RATES

Jul 1	£	$	DM	Yen	F Fr.	S Fr.	N Fl.	Lira	C$	B Fr.	Pta	Ecu
£	1	1.911	2.900	238.8	9.755	2.610	3.268	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
$	0.523	1	1.518	125.0	5.105	1.366	1.710	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
DM	0.345	0.659	1	82.34	3.364	0.900	1.127	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
YEN	4.188	8.003	12.14	1000.	40.85	10.93	13.69	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
F Fr.	1.025	1.959	2.973	244.8	10.	2.676	3.350	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
S Fr.	0.383	0.732	1.111	91.49	3.738	1	1.252	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
N Fl.	0.306	0.585	0.887	73.07	2.985	0.799	1	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
Lira	0.456	0.871	1.322	108.8	4.446	1.190	1.490	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
C$	0.436	0.833	1.264	104.1	4.251	1.137	1.424	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
B Fr.	1.675	3.201	4.858	400.0	16.34	4.372	5.474	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
Pta	0.546	1.044	1.584	130.4	5.328	1.425	1.785	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
Ecu	0.707	1.351	2.051	168.9	6.899	1.846	2.311	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]

Yen per 1,000: French Fr. per 10: Lira per 1,000: Belgian Fr. per 100: Peseta per 100.

OTHER CURRENCIES

Jul 1	£	$
[illegible]	[illegible]	[illegible]
Iran	2718.00*	1430.00*
Korea(Sth)	1491.55 - 1515.60	787.00 - 793.20
Kuwait	0.55200 - 0.55300	0.28870 - 0.28900
Luxembourg	59.60 - 59.70	31.15 - 31.25
Malaysia	4.7895 - 4.8035	2.5050 - 2.5060
Mexico	5981.75 - 5983.65	3122.00 - 3123.00
N.Zealand	3.5187 - 3.5336	1.8365 - 1.8390
Saudi Ar.	7.1170 - 7.1940	3.7495 - 3.7505
Singapore	3.0935 - 3.1010	1.6170 - 1.6180
S.Af (Cm)	5.2820 - 5.2945	2.7560 - 2.7575
S.Af (Fn)	7.3270 - 7.3695	3.8240 - 3.8465
Taiwan	47.65 - 47.75	25.05 - 25.15
U.A.E.	6.9685 - 7.0460	3.6715 - 3.6735

*Floating rate. Iran Official rate: £120.80 $64.00

FINANCIAL FUTURES AND OPTIONS

LONDON (LIFFE)

US TREASURY BONDS 8% * $100,000 32nds of 100%

	Close	High	Low	Prev.
Sep	100-29	100-29	100-15	100-17
Dec	99-23	99-20	99-20	99-16

Estimated volume 306 (479)
Previous day's open int. 2284 (2346)

6% NOTIONAL GERMAN GOVT. BOND * DM250,000 100ths of 100%

	Close	High	Low	Prev.
Sep	87.80	87.84	87.67	87.71
Dec	88.20	88.26	88.13	88.11

Estimated volume 27045 (30146)
Previous day's open int. 101676 (102927)

6% NOTIONAL LONG TERM JAPANESE GOVT. BOND Y100m 100ths of 100%

	Close	High	Low
Sep	103.27	103.27	103.15
Dec	102.87		

Estimated volume 1882 (689)
Traded exclusively on APT

9% NOTIONAL ECU BOND ECU 200,000 100ths of 100%

	Close	High	Low	Prev.
Sep	99.70			99.62

Estimated volume 0 (0)
Previous day's open int. 0 (0)

12% NOTIONAL ITALIAN GOVT. BOND (BTP) * LIRA 200m 100ths of 100%

	Close	High	Low	Prev.
Sep	94.99	95.80	94.95	95.02
Dec	95.17	95.80	95.80	95.99

Estimated volume 31384 (16127)
Previous day's open int. 41170 (39420)

THREE MONTH STERLING * £500,000 points of 100%

	Close	High	Low	Prev.
Sep	90.13	90.14	90.08	90.11
Dec	90.38	90.40	90.34	90.36
Mar	90.67	90.68	90.62	90.64
Jun	90.89	90.89	90.85	90.86
Sep	91.03	91.03	90.99	91.00
Dec	91.03	91.03	90.99	91.00

PARIS

THREE-MONTH PIBOR FUTURES (MATIF)

September	90.14	90.11	-0.04	90.14
December	90.42	90.39	-0.04	90.42
March	90.75	90.71	-0.04	90.75
June	90.99	90.96	-0.05	90.99

Estimated volume 11,701 Total Open Interest 61,229

CAC-40 FUTURES (MATIF) Stock Index

July	1897.0	1881.5	-19.5	1897.0
August	1907.0	1896.5	-19.5	1907.0
September	1927.0	1912.5	-19.5	1927.0

Estimated volume 9,343 Total Open Interest 23,032

ECU BOND (MATIF)

September	105.02	105.10	+0.06	105.12

Estimated volume 5,352 Total Open Interest 13,095

OPTION ON LONG-TERM FRENCH BOND (MATIF)

Strike	Calls September	Calls December	March
105	-	-	-
106	1.45	-	-
107	0.77	-	-
108	0.33	0.86	-
109	0.11	0.51	-
110	0.02	0.26	-
Open Int	91,158	119,108	2,800

Estimated volume 18,984 Total Open Interest 376,219

PHILADELPHIA SE £/$ OPTIONS £31,250 (cents per £1)

Strike Price	Calls Jul	Aug	Sep	Dec	Puts Jul
1.800	10.35	10.35	10.38	10.38	-
1.825	7.90	7.90	7.95	8.31	-
1.850	5.40	5.68	6.01	6.59	0.05
1.875	3.07	3.85	4.27	5.13	0.35
1.900	1.35	2.43	2.97	3.97	1.20
1.950	0.46	1.35	1.33	2.29	4.91
1.975	0.09	0.86	0.52	1.69	7.26

Previous day's open int: Calls 223,275 Puts 496,964 (All currencies)
Previous day's volume: Calls 15,836 Puts 12,715 (All currencies)

CHICAGO

SWISS FRANC (IMM) SFr 125,000 $ per SFr

	Close	High	Low	Prev.
Sep	0.7230	0.7284	0.7206	0.7202
Dec	0.7140	0.7195	0.7128	0.7114
Mar	0.7065	0.7120	-	0.7042

STANDARD & POORS 500 INDEX $500 times index

	Close	High	Low	Prev.
Sep	413.00	413.55	409.00	409.50
Dec	413.90	414.90	410.00	410.35
Mar	415.10	415.90	411.30	411.50
Jun	416.80	417.30	413.00	413.20

BASE LENDING RATES

	%		%		%
Adam & Company	10	Credit Lyonnais	10	McDonnell Douglas Bank	10
Allied Trust Bank	10	Cyprus Popular Bk	10	Midland Bank	10
AIB Bank	10	Duncan Lawrie	10	Mount Banking	10
● Henry Ansbacher	10	Equatorial Bank plc	10	NatWestminster	10
B & C Merchant Bank	10.5	Exeter Bank Limited	10.5	Northern Bank Ltd	10
Bank of Baroda	10	Financial & Gen. Bank	10	Nykredit Mortgage Bank	10.5
Banco Bilbao Vizcaya	10	● Robert Fleming & Co.	10	Provincial Bank PLC	14
Bank of Cyprus	10	Robert Fraser & Ptrs.	10.5	● Rea Brothers	10
Bank of Ireland	10	Girobank	10	Roxburghe Bank Ltd.	11
Bank of India	10	● Guinness Mahon	10	Royal Bk of Scotland	10
Bank of Scotland	10	Habib Bank AG Zurich	10	● Smith & Williamson Secs.	10
Banque Belge Ltd	10	● Hambros Bank	10	Standard Chartered	10
Barclays Bank	10	Hampshire Trust Plc	13.5	TSB	10
Beneharrk Bank	11	Heritable & Gen Inv Bank	10	Unibank plc	10
Brit Bk of Mid East	10	● Hill Samuel	10	● United Bk of Kuwait	10
● Brown Shipley	10	C. Hoare & Co.	10	Unity Trust Bank Plc	10
Cl. Bank Nederland	10	Hongkong & Shanghai	10	Western Trust	10
Citibank NA	10	Julian Hodge Bank	10	Whiteaway Laidlaw	10
City Merchants Bank	10	● Leopold Joseph & Sons	10	Yorkshire Bank	10
Clydesdale Bank	10	Lloyds Bank	10		
Co-operative Bank	10	Meghraj Bank Ltd	10		
Coutts & Co	10				

● Members of British Merchant Banking & Securities Houses Association.

MONEY MARKETS

Lukewarm trading

TRADING was quiet yesterday in the money markets, reflecting the disinclination of dealers to gamble on an early cut in UK base rates.

Another factor was that the banking system was relatively flush with cash. As a result, the Bank of England had no need to inject money into the system through bill purchases.

The three-month interbank rate – a good reflection of what the markets think base rates will be in the future – was quoted last night at $10\frac{1}{32}$ per cent, down $\frac{1}{32}$ of a point from the previous close.

UK clearing bank base lending rate 10 per cent from May 5, 1992

That underlined sentiment in the market that Mr Norman Lamont, the chancellor, is unlikely to find an opportunity over the summer to cut base rates from the current 10 per cent. "Even though all the indicators are that the economy could benefit from a cut, the pound's weakness means the options are strictly limited," said a money market trader.

The limited interest in speculating on a broadly based reduction in borrowing costs was reflected in only a small amount of activity on the sterling futures market.

The September future contract traded within a narrow spectrum, finishing the day at 90.12, hardly changed from the 90.11 recorded on Tuesday night. Last night's closing price indicates the market's perception that there is little probability of a change in base rates by mid-September.

With the cash shortage in the money markets estimated by the Bank of England at only £300m, its technical operations were limited to lending about £185m to the discount houses. The terms of the deal were not specified, but it is thought the houses have to repay the cash today, at close to the 10 per cent base rate.

The extremely low shortage surprised some dealers. It was mainly due to unspecified payments into the economy by the Treasury totalling some £800m.

● The Bundesbank said it accepted bids for DM35.9bn in tenders for securities repurchase funds. It allocated DM27.2bn of 35-day funds, mostly at rates of 9.65 per cent. It also accepted some bids made at a lower allocated rate of 9.60 per cent.

The central bank allocated DM8.7bn of 63-day funds, mostly at 9.65 per cent, and accepted nearly a third of all bids made at this rate.

FT LONDON INTERBANK FIXING

[illegible]	[illegible]	[illegible]	[illegible]

The fixing rates are the arithmetic means rounded to the nearest one-sixteenth, of the bid and offered rates for $10m quoted to the market by five reference banks at 11.00 a.m. each working day. The banks are National Westminster Bank, Bank of Tokyo, Deutsche Bank, Banque Nationale de Paris and Morgan Guaranty Trust.

MONEY RATES

NEW YORK Treasury Bills and Bonds

4pm			
Prime rate	[illegible]		5.38
Broker loan rate	[illegible]		6.25
Fed funds	[illegible]		6.68
Fed funds at intervention	[illegible]		7.09
			7.75

Jul 1	Overnight	One Month	Two Months	Three Months	Six Months	Lombard Intervention
Frankfurt	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
Paris	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
Zurich	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
Amsterdam	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
Tokyo	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
Milan	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
Brussels	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
Dublin	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]

LONDON MONEY RATES

Jul 1	Overnight	7 days notice	One Month	Three Months	Six Months	One Year
Interbank Offer	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
Interbank Bid	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
Sterling CDs	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
Local Authority Deps.	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
Local Authority Bonds	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
Discount Mkt Deps	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
Company Deposits	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
Finance House Deposits	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
Treasury Bills (Buy)	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
Bank Bills (Buy)	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
Fine Trade Bills (Buy)	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
Dollar CDs	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
SDR Linked Dep. Offer	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
SDR Linked Dep. Bid	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
ECU Linked Dep. Offer	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
ECU Linked Dep. Bid	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]

[illegible]

MONEY MARKET FUNDS

Money Market Trust Funds

[illegible]

Money Market Bank Accounts

[illegible]

JOTTER PAD

CROSSWORD

No.7,888 Set by HIGHLANDER

ACROSS

1 Mistake on mountain ridge produces fall (8)
5 When malt is drunk and copper enters, take a powder! (6)
9 Clashing with road trip by National Trust (8)
10 Shouted in the bar area (6)
12 Make strenuous efforts from sixteen or reform (9)
13 Bought six establishments – retreats – to live in (5)
14 Head left dunce to take it easy (4)
16 Sort of beer to give a bit of wind (7)
19 Handle case for newspapers concealing overcharge (7)
21 Cover oneself in leather (4)
24 Saddle is free – the origins of German equestrianism (5)
25 Horse trials: poor show by China (9)
27 Refer indirectly to everything due originally (6)
28 Commanding officer new to battle is in the soup (8)
29 Without verbal signal, ship uses weapons (6)
30 Young gang member I'd shaken off (8)

DOWN

1 Nut puts money on bridge partners (6)
2 Real confusion about the way to build food store (6)
3 A one-sided claim to independence takes time to check (6)
4 Departure postponed after second boundary (7)
6 A verbal figure mentioned and referred to previously (9)
7 Cost of moving from Surrey, perhaps (8)
8 Think hard to recollect both time and date (8)
11 Took advantage of some credulous Edwardians (4)
15 Started to bat without a target and with no time-limit (4-5)
17 Old Greeks fall out over colours (8)
18 Brothel bedroll is replaced by leader of odalisques (8)
20 Show advance payments as reserves (4)
21 Obliged to cut tails off fish (7)
22 It's my broken English which is an impediment on the course (6)
23 Really gets into the act (6)
26 Writer offers no tips on writing points and writing instrument (5)

Solution to Puzzle No.7,887

CONSOLIDATED / RUFFIAN MARENGO / GRASP ANYTHING / ENDANGERED SHOT / SILK LORD WILSON / VERACITY MARKS / LEESIDE INDWELL / TRESTLE TABLE

WORLD STOCK MARKETS

CANADA

TORONTO

5:00 pm prices June 30

INDICES

NEW YORK

DOW JONES	Jul 1	Jun 30	Jun 29	Jun 26	1992 HIGH	1992 LOW	Since compilation HIGH	Since compilation LOW
♦Industrials	3354.10	3318.52	3319.86	3282.41	3413.21 (1/6)	3172.41 (2/1)	3413.21 (1/6/92)	41.22 (2/7/32)
Home Bonds	99.93	100.01	100.08	100.07	100.17 (19/5)	98.41 (20/3)	100.17 (19/5/92)	54.99 (1/10/81)
Transport	1341.37	1315.77	1316.52	1277.65	1467.68 (20/2)	1277.65 (26/6)	1532.01 (5/9/89)	12.32 (8/7/32)
Utilities	212.44	211.13	210.38	209.69	225.59 (3/1)	200.74 (8/4)	236.23 (2/1/90)	10.50 (8/4/32)

♦Day's High 3366.40 (3347.68) Low 3305.41 (3294.98)

STANDARD AND POOR'S

	Jul 1	Jun 30	Jun 29	Jun 26	1992 HIGH	1992 LOW	Since compilation HIGH	Since compilation LOW
Composite ‡	412.88	408.14	408.94	403.45	420.77 (15/1)	394.50 (8/4)	420.77 (15/1/92)	4.40 (1/6/32)
Industrials	485.99	480.31	481.72	474.86	499.27 (15/1)	470.91 (8/4)	499.27 (15/1/92)	3.62 (21/6/32)
Financial	36.15	35.70	35.58	35.15	36.15 (1/7)	32.40 (8/4)	36.15 (1/7/92)	8.64 (1/10/74)
NYSE Composite	226.75	224.33	224.44	221.68	231.85 (15/1)	217.92 (8/4)	231.85 (15/1/92)	4.46 (25/4/42)
Amex Mkt. Value	383.01	379.28	377.10	374.04	418.99 (12/2)	374.04 (26/6)	418.99 (12/2/92)	29.31 (9/12/72)
NASDAQ Composite	568.99	563.60	558.80	547.84	644.92 (12/2)	547.84 (26/6)	644.92 (12/2/92)	54.87 (31/10/72)

	Jun 26	Jun 19	Jun 12	year ago (approx.)
Dow Industrial Div. Yield	3.14	3.14	3.03	3.16
	Jun 24	Jun 17	Jun 10	year ago (approx.)
S & P Industrial div. yield	2.72	2.72	2.69	2.83
S & P Indl. P/E ratio	28.14	28.03	28.44	18.68

NEW YORK ACTIVE STOCKS

Wednesday	Stocks traded	Closing price	Change on day
Glaxo	3,183,000	25	- ⅛
Ph Morris	2,996,400	76	+ 2⅛
Waste Man	2,953,400	34½	+ ⅞
RJ Nabisco	2,764,600	9	+ ⅛
Telefonos	2,655,800	46	+ 2⅛
Brad Inc	2,579,500	12½	...
Coca Cola	2,118,600	41¼	+ 1¼
Merck	2,055,300	49⅝	+ ⅞
Wal-Mart	1,941,100	53⅜	- ⅛
AT & T	1,767,500	43⅛	+ ⅛

TRADING ACTIVITY

† Volume (Millions)	Jul 1	Jun 30	Jun 29
New York SE	214.240	195.520	176.720
Amex	10.431	13.280	11.898
NASDAQ	(u)	195.188	159.521
NYSE			
Issues Traded	2,261	2,296	2,275
Rises	1,208	996	1,223
Falls	534	731	563
Unchanged	519	569	489
New Highs	78	63	50
New Lows	26	37	40

CANADA

TORONTO	Jul 1	Jun 30	Jun 29	Jun 26	1992 HIGH	1992 LOW
Metals & Minerals	(c)	3167.82	3126.91	3076.31	3238.87 (16/1)	2828.26 (8/4)
Composite	(c)	3387.70	3375.80	3351.30	3666.00 (16/1)	3318.10 (8/4)
MONTREAL Portfolio	(c)	1785.83	1788.50	1772.45	1937.59 (16/1)	1727.04 (8/4)

Base values of all indices are 100 except NYSE All Common—50; Standard and Poor's—10; and Toronto Composite and Metals—1000. Toronto indices based 1975 and Montreal Portfolio 4/1/83. † Excluding bonds. ‡ Industrial, plus Utilities, Financial and Transportation. (c) Closed. (u) Unavailable.

	Jul 1	Jun 30	Jun 29	Jun 26	1992 HIGH	1992 LOW
AUSTRALIA						
All Ordinaries (1/1/80)	1647.7	1644.7	1642.3	1641.6	1684.50 (22/5)	1545.30 (9/4)
All Mining (1/1/80)	718.6	714.7	715.3	715.4	718.60 (1/7)	660.30 (2/1)
AUSTRIA						
Credit Aktien (30/12/84)	387.45	390.77	389.21	389.67	458.57 (24/2)	372.24 (2/1)
Traded Index (2/1/91)	935.11	942.13	940.79	942.36	1099.43 (24/2)	901.64 (2/1)
BELGIUM						
BEL20 (1/1/91)	1162.84	1162.75	1165.28	1166.68	1235.40 (2/6)	1097.23 (8/1)
DENMARK						
Copenhagen SE (3/1/83)	320.26	321.35	323.96	323.28	365.29 (15/1)	316.58 (23/6)
FINLAND						
HEX General (28/12/90)	751.8	763.0	767.8	767.3	935.90 (24/2)	751.80 (1/7)
FRANCE						
CAC General (31/12/82)	498.71	517.94	518.88	518.78	555.93 (12/5)	475.53 (2/1)
CAC 40 (31/12/87)	1880.92	1900.63	1907.30	1915.31	2077.49 (11/5)	1749.91 (2/1)
GERMANY						
FAZ Aktien (31/12/58)	695.33	693.61	696.85	695.83	725.26 (26/5)	643.26 (8/1)
Commerzbank (1/12/53)	1967.20	1960.90	1970.40	1966.7	2043.80 (25/5)	1813.80 (8/1)
DAX (30/12/87)	1756.26	1752.63	1757.12	1754.13	1811.57 (25/5)	1578.73 (8/1)
HONG KONG						
Hang Seng Bank (31/7/64)	6134.75	6103.92	6057.90	6113.10	6134.75 (1/7)	4301.78 (2/1)
IRELAND						
ISEQ Overall (4/1/88)	1304.64	1310.84	1332.16	1330.92	1469.57 (17/1)	1304.64 (1/7)
ITALY						
Banca Com. Ital. (1972)	450.75	454.16	460.56	462.12	551.59 (6/2)	450.75 (1/7)
MIB General (2/1/92)	886.0	893.0	906.0	909.0	1086.00 (5/2)	886.00 (1/7)
JAPAN						
Nikkei (16/5/49)	16325.07	15951.73	15741.27	15812.73	23801.18 (6/1)	15741.27 (29/6)
Tokyo SE (Topix) (4/1/68)	1256.98	1236.20	1225.11	1231.45	1763.43 (6/1)	1196.19 (9/4)
2nd Section (4/1/68)	1871.14	1868.82	1877.81	1888.25	2459.85 (6/1)	1868.82 (30/6)
MALAYSIA						
KLSE Composite (4/4/86)	596.47	592.33	591.14	596.55	619.06 (20/2)	546.63 (14/1)
NETHERLANDS						
CBS Ttl.Rtn.Gen (End 1983)	299.6	301.0	300.4	301.7	314.90 (9/6)	274.00 (8/1)
CBS All Shr (End 1983)	204.9	205.7	205.3	206.2	215.50 (26/5)	192.40 (8/1)
NORWAY						
Oslo SE (Ind) (2/1/83)	682.91	693.86	686.75	697.37	772.74 (18/5)	667.88 (25/2)
PHILIPPINES						
Manila Comp (2/1/85)	1524.09	(c)	1555.83	1525.31	1580.95 (11/6)	1083.01 (17/3)
SINGAPORE						
SES All-Singapore (2/4/75)	402.40	400.38	400.20	402.03	416.99 (21/1)	370.13 (9/4)
SOUTH AFRICA						
JSE Gold (28/9/78)	1091.04	1097.0	1085.0	1113.0	1327.00 (21/1)	1006.00 (24/4)
JSE Industrial (28/9/78)	4515.04	4520.0	4507.0	4512.0	4689.00 (4/6)	4169.00 (2/1)
SOUTH KOREA**						
Korea Comp Ex. (4/1/80)	551.98	552.03	551.55	552.09	691.48 (8/2)	548.30 (25/6)
SPAIN						
Madrid SE (30/12/85)	235.45	238.11	239.12	243.29	266.51 (28/2)	235.45 (1/7)
SWEDEN						
Affarsvarlden Gen (1/2/37)	906.90	913.0	909.7	921.0	1014.50 (11/5)	906.90 (1/7)
SWITZERLAND						
Swiss Bank Ind. (31/12/58)	869.9	872.8	870.7	863.1	883.40 (11/5)	748.50 (8/1)
SBC General (1/4/87)	650.4	652.5	651.0	646.8	682.30 (11/5)	601.10 (8/1)
TAIWAN**						
Weighted Price (30/6/66)	(c)	4523.81	4467.50	4501.47	5391.63 (30/1)	4266.17 (11/5)
THAILAND						
Bangok SET (30/4/75)	(c)	751.45	753.23	755.04	832.39 (7/4)	667.84 (19/5)
WORLD						
M.S. Capital Intl (1/1/70) ($)	499.5*	495.4	495.6	492.3	542.10 (7/1)	467.50 (3/4)
Euro Top-100 (26/6/90)	903.22	909.71	909.73	917.66	976.55 (25/5)	870.31 (2/1)

**Saturday June 27: Taiwan Weighted Price, 4496.44. Korea Comp Ex. 551.88.
& Subject to official recalculation. *Calculated at 15.00 GMT
Base values of all indices are 100 except: Austria Traded, BEL20, HEX Gen, MIB Gen, Euro Top-100, ISEQ Overall and DAX – 1,000, JSE Gold – 255.7, JSE 26 Industrials – 264.3 and Australia All Ordinary and Mining – 500; (c) Closed. (u) Unavailable.

TOKYO - Most Active Stocks

Wednesday 1 July 1992

	Stocks Traded	Closing Prices	Change on day		Stocks Traded	Closing Prices	Change on day
Toshiba	9.0m	680	+13	Sato Kogyo	3.3m	783	+73
Koa Denko	5.9m	860	+100	Penta Ocean	3.3m	800	+5
Meiji Milk	5.8m	955	+82	Ricoh	2.2m	540	+35
NPN Formula	3.6m	872	-11	Isetan	2.1m	1,650	+250
Nishimatsu	3.5m	979	+64	Mitsubishi Hvy	1.9m	534	+4

4:00 pm prices July 1

NEW YORK STOCK EXCHANGE COMPOSITE PRICES

1992 High	Low	Stock	Div.	Yld. %	P/E	Sls 100s	High	Low	Close Quote	Ch'ge Prev. Close
15½	11⅞	AAR Corp	0.48	3.6	21	114	13⅝	13¼	13½	+¼
26	18⅛	A L Labs A	0.18	0.9	78	528	19⅞	18⅞	19⅝	+1
68¾	53½	AMP Inc	1.52	2.8	224	108	54¼	53⅞	54¼	+⅞
80¼	60⅞	AMR			17	34537	66¼	65	66	+1⅛
2⅜	1⅛	ARX			2	4	1½	1½	1⅝	
53½	38¼	ASA	2.50	6.3	28	237	40⅛	39⅝	39⅞	-⅛
34¼	26⅞	Abbott Lab	0.60	2.0	22	12408	30⅞	29⅝	30⅞	+¼
13⅞	12	Abitibi Pr	0.42	3.3	9	6	13	13	12⅞	
11⅝	10⅞	ACM Gvt In	1.13	10.2		252	11⅛	11	11⅛	+⅛
10⅛	9⅛	ACM GvOpp	0.98	9.8		117	9⅝	9⅝	9⅝	+⅛
8½	8½	ACM Gvt Sp x	0.92	9.9		244	9¼	9⅛	9¼	+⅛
11¼	10⅞	ACM Gvt Sc x	1.13	10.4		442	11	10⅞	10⅞	-⅛
9⅝	8⅝	ACM Man	0.08	10.4		221	9½	9⅜	9⅜	
12⅞	10⅝	ACM Managd	1.24	10.9		258	11½	11⅜	11⅜	
11⅞	6	Acme Cleve	0.40	6.5	21	204	6¼	6⅛	6⅛	
9¼	4⅞	Acme Elect			4	29	5	4⅞	5	
33¼	13⅞	Acuson			12	7342	20½	20	20⅜	+⅛
19½	18⅛	Adams Expr	1.83	8.8	0	187	18⅞	18½	18⅝	+⅛
49⅛	29½	Ad Micro	3.00	9.4		475	32⅛	32	32	-⅛
21½	8⅝	Ad Micro P	3.00	34.3		37302	8¾	8⅝	8¾	
9⅛	5	Advest Grp	0.16	2.6	61	73	6¼	6⅛	6⅛	-⅛
38	33	Aegon ADR	1.68	4.8	6	2	35	35	34⅞	+⅛
47	28⅛	Aetna LI	2.76	6.5	8	1773	42⅝	41½	42⅝	+1¼
12	8⅛	Afill A	0.24	2.1	13	1828	11⅛	10¾	11¼	+⅜
32⅞	24	Aflac	0.44	1.4	16	2746	31⅝	30	31⅝	+1⅛
19½	15⅛	Ahmanson	0.88	5.2		71364	17	16⅝	17	+¼
22½	5¼	Aileen Inc			7	79	7⅛	7⅛	7½	+⅛
49½	36½	Air Pr Chm x	0.86	2.0	16	2767	43½	42⅝	43½	+1
29¼	13⅞	Airbne Frt	0.30	2.0	12	776	15⅛	15	15⅛	+⅛

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NYSE COMPOSITE PRICES

Continued from previous page

1992 High	Low	Stock	Div.	Yld. %	P/E	Sls 100s	High	Low	Close	Chng
37	28½	Xtra Corp	0.80	2.2	15	132	36	34¼	36	+1½
27	25¼	Yankee Egy.	1.68	6.3	12	8	26¾	26⅝	26⅝	+⅛
1½	½	Zapata			46	216	1⅛	⅞	1⅛	+⅛
11⅛	6¼	ZenithElec			3	609	7½	7¼	7½	+⅛
19¼	14½	Zenith Nat	1.00	5.2	8	506	u19½	18⅞	19⅜	+⅜
7⅝	6	Zenix Inc x	0.82	11.9		47	6⅞	6¾	6⅞	
13¾	10	Zero Corp	0.40	3.8	18	90	10½	10¼	10⅜	+⅛
35	27⅞	Zurn Ind	0.88	3.1	30	248	28¼	d27⅞	28¼	+⅛
14⅝	12	Zweig Fund	1.15	8.1		433	12⅝	12½	12⅝	+⅛
11	9½	Zweig Totl	1.00	9.9		1712	10⅛	9⅞	10⅛	+⅛

Price data supplied by Telekurs.

Yearly highs and lows reflect the period from Jan 1, excluding the latest trading day. Where a split or stock dividend amounting to 25 percent or more has been paid, the year's high-only range and dividend are shown for the new stock only. Unless otherwise noted, rates of dividend are annual disbursements based on the latest declaration. Sales figures are unofficial.

a-dividend also xtra(s). b-annual rate of dividend plus stock dividend. c-liquidating dividend. cld-called. d-new yearly low. e-dividend declared or paid in preceding 12 months. g-dividend in Canadian funds, subject to 15% non-residence tax. i-dividend declared after split-up or stock dividend. j-dividend paid this year, omitted, deferred, or no action taken at latest dividend meeting. k-dividend declared or paid this year, an accumulative issue with dividends in arrears. n-new issue in the past 52 weeks. The high-low range begins with the start of trading. nd-next day delivery. P/E price-earnings ratio. r-dividend declared or paid in preceding 12 months, plus stock dividend. s-stock split. Dividends begin with date of split. sls-sales. t-dividend paid in stock in preceding 12 months, estimated cash value on ex-dividend or ex-distribution date. u-new yearly high. v-trading halted. vi-in bankruptcy or receivership or being reorganised under the Bankruptcy Act, or securities assumed by such companies. wd-distributed. wi-when issued. ww-with warrants. x-ex-dividend or ex-rights. xdis-ex-distribution. xw-without warrants. y-ex-dividend and sales in full. yld-yield. z-sales in full.

AMEX COMPOSITE PRICES

4:00 pm prices July 1

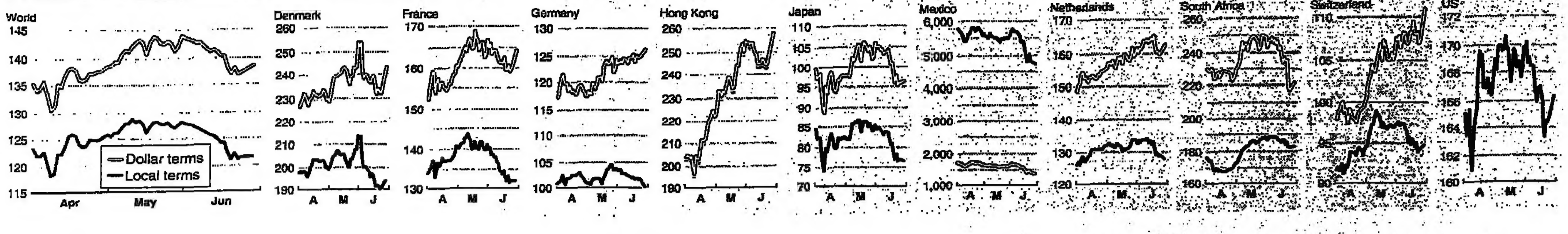
Stock	Div.	P/E	Sls 100s	High	Low	Close	Chng
Pall Corp	0.36	27	1856	26½	25¾	26½	+½
Pegasus G	0.10	39	2786	u15	14	15	+1
Perini	0.80	26	3	12⅝	12⅝	12⅝	
Pet HS&P	1.14	16	10	14½	14½	14½	+⅛
Phil LD	0.24	17	662	40¾	40½	40⅝	+⅛
Pitney A	1.10	16	35	30¾	30¼	30½	−⅛
Ply Gem	0.12	22	866	11¼	9¾	11¼	+1½
PMC x	0.66	15	38	10¼	10¼	10¼	+⅛
Cal Engy		18	456	13	12½	12½	−½
Calprop		0	30	2¼	2⅛	2⅛	
Carmel A	0.52	14	2545	22⅞	22¼	22½	
Can Marc	0.24	13	13	13⅝	13⅝	13⅝	
Chmbrs A		8	4449	7¼	6¾	7¼	+⅛
Chambers		9	336	7½	7	7½	+⅛
Champion		40	4	3¾	3¾	3⅝	
Chiles		0	264	1	1	1	
Glatfltr	0.70	15	79	25	24¾	24½	−⅛
Goldfield		3	69	⅞	⅞	⅞	
Greenman		6	61	5⅜	5⅜	5⅜	+⅛
Gulf Cda	0.34	8	107	5	4⅞	4⅞	−⅛
Hasbro	0.20	30	1914	29⅛	28¼	29⅛	+1⅛
Health Ch		9	8	1⅞	1⅞	1⅞	+⅛
Healthvst		249	17	2½	2½	2½	
NY TimesA	0.56	40	996	29½	28¼	29½	+1½
NthCanOil	0.18	93	6	11¼	11¼	11¼	
Numac O&G		1	80	4	4	4	
NV Ryan		0	100	⅛	⅛	⅛	
Oddtics A		293	16	6¾	5¾	5⅞	
Olsten	0.24	27	413	27⅜	26⅞	27¼	+2¼
OMI Corp	0.14	7	76	6⅝	6½	6⅝	
WangLab B		1	729	3⅝	3½	3⅝	+⅛
Westbrid		15	150	6¼	5⅛	6⅛	−⅛
Westamer	0.52	10	2	22	22	22½	
WRIT	1.12	15	91	12¾	12⅝	12⅝	+⅛
Worthen	0.05	10	309	u22½	20¾	22½	+2
Xytronix		11	183	10¼	9½	10⅛	+½

NASDAQ NATIONAL MARKET

4:00 pm prices July 1

Stock	Div.	P/E	Sls 100s	High	Low	Last	Chng
[illegible]							

FT-Actuaries World Indices in the second quarter 1992



EUROPE

Defensive tactics rule as bourses slide again

MOST bourses were weaker yesterday in uncertain trading, *writes Our Markets Staff.*

Strategists said that the shift from cyclical to defensive stocks, tested in London recently and apparent this week in continental Europe, was a tactical ploy.

In Germany, said Mr Horst Greven of Merck Finck in Düsseldorf, the cyclical/defensive move is a fact, but follows from people taking profits where they can. Cyclicals have been the mainstay of the German equity market's outperformance this year.

Mr Richard Davidson of Morgan Stanley in London says that, in general, cyclicals have lost momentum for three additional reasons:

- that European recovery is not coming through;
- that interest rate cuts are not happening in Europe; and
- that the dollar is on the slide.

Morgan Stanley offers an alternative strategy, in a 1990s prospect of disinflation which Mr Davidson defines as "manageable" inflation rates between zero and 4 per cent as distinct from deflation, or a negative percentage.

The bank says that the long-term outlook is a 3 to 3½ per cent inflation rate in Europe, and that the losers in this environment would be companies which have relied on price increases to boost their revenues. The winners would be those which could grow their revenues from volume and market share gains, or those which could rationalise their cost structures to improve profit margins.

This has some surprising results. A classic defensive industry, banking, is split. Morgan Stanley's chief strategist, Mr David Roche, likes UK banking which demonstrates that high variable cost companies (the service sector) stand to gain from disinflation because they can cut the workforce and keep labour costs low. However, he says, most continental European banks "do not seem to understand how to rationalise".

FRANKFURT offered a limited extension of Tuesday's trend with falls in a limited number of blue-chip cyclicals, and gains in defensive stocks.

The DAX index rose 3.63 to 1,756.26 after a gain of 1.72 to 895.33 in the FAZ at midsession. Turnover eased from DM5.7bn to DM5.5bn.

Cyclical fallers included BMW in carmakers, down DM7.50 to DM582.50 as Volkswagen recovered a little; Continental, the tyremaker, DM3 lower at DM257; Degussa in basic materials, DM6.50 lower at DM338.50; and Linde in engineering, down DM12.50 at DM819.

Among defensives, there was a DM12 gain to DM2,296 for Allianz, the insurer, and one of DM3.20 to DM256.50 for Commerzbank. Utilities also improved, led by Veba with a DM5 rise to DM339.50.

Among special situations, Asko said it would remain suspended today although shareholders heard a lot of bad news yesterday, in heavy provisions against investments, a 1991 loss and the omission of the dividend.

PARIS fell for the fourth successive day, but in derisory turnover of just FFr1.6bn. Dealers feared that the market would remain depressed until the referendum on the Maastricht treaty, which has been set for September 20. The CAC 40 index ended down 19.71 at 1,880.92, its lowest close since February 14.

LVMH fell FFr115 to FFr3,766 on news that turnover growth at its luggage subsidiary Louis Vuitton had slowed in April and May and by a newspaper report describing difficulties in the champagne sector.

Alcatel Alsthom, ex-dividend, was a net 50 centimes better at FFr636 while Lafarge, also ex dividend, dropped a net FFr2 to FFr330.90.

MILAN fell for the sixth consecutive session as the Comit index closed 3.41 lower at 450.75, its lowest level since February 12, 1988.

The market's depression was deepened by Fiat chairman Giovanni Agnelli's remarks to shareholders on Tuesday that he did not expect any substantial recovery in the group's fortunes until late 1993. Fiat closed L73 down at L5,215 and reached L5,135 later.

Kleinwort Benson this week added Italy to its list of "buys", recommending that long-term investors should start looking at it again. It says that the market has failed to appreciate that attitudes have changed, for example, that most of the old, and tainted, names have disappeared from government.

Among other stocks, Italgas recouped L7 to L2,790 after Tuesday's weakness while Pirelli fell L33 to L1,258.

AMSTERDAM was undermined by the afternoon fall in London, as the General Tendency index fell 1.0 to 122.6. Hoogovens lost another Fl 1.50 to Fl 47.80, for an 11 per cent fall since Friday. Fokker lost Fl 1.40 or 4.4 per cent to Fl 30.30 although it denied a press report that a cash crisis was holding up Fokker's planned partnership with Germany's Dasa.

MADRID sank to a second consecutive 1992 low, the general index losing another 2.86 to close at 235.45. Volume was thin at less than Pta11bn.

Dealers were worried that yields could rise at the Spanish treasury's multiple bond tender today. Constructions, again, and metals posted the sharpest declines with Cubiertas Pta500 lower at Pta7,280 and Asturiana Del Zinc Pta800, or 30 per cent lower, at Pta1,850.

OSLO fell 1.7 per cent to a new 1992 low, led down by the insurer UNI Storebrand after a report that the company was close to technical bankruptcy. The all-share index fell 7.07 to 395.97 in turnover worth NKr572m. Most of the turnover was in Forenede options, after the Finance Ministry gave Gjensidige permission to buy the company.

UNI Storebrand tumbled even though the company denied the report in the business daily, Dagens Naeringliv. Its A shares closed NKr5.5 lower at NKr31.

COPENHAGEN saw the suspension of Hafnia, at the request of the company pending an investigation into irregularities concerning options to purchase shares in a local bank, *writes Hilary Barnes.* The all-share index fell 1.09 to 320.26 in turnover of Dkr125m.

VIENNA fell to a five-month low, following weakness in the state-controlled utility Verbund. The ATX index eased 7.02 to 935.11, the lowest since January 14.

Verbund closed down Sch9 at Sch478 in active trade, while OMV slipped Sch7 to Sch867 after the government said that it would welcome Verbund taking a 20 per cent stake in the oil company OMV, itself 72 per cent owned by the state. Austrian Airlines closed at a new low for the year of Sch2,049, down Sch45.

ISTANBUL finished a volatile session, up for the eight straight day at a new five-month high, although profit-taking erased most of a 146-point surge which came in the first 15 minutes. The 75-share index closed at 4,442.60, up 35.37 points and the highest since February 10.

FT-SE Eurotrack 100 - Jul 1

Hourly changes

Open	10.30am	11 am	12 pm	1 pm	2 pm	3 pm	close
1135.14	1135.39	1133.80	1132.35	1132.65	1132.00	1133.51	1132.36

Day's High 1135.62 Day's Low 1131.75

Jun 30	Jun 29	Jun 26	Jun 25	Jun 24
1139.30	1141.48	1145.05	1148.67	1145.09

Base value 1000 (26/10/90)

SOUTH AFRICA

JOHANNESBURG fell after the Congress of South African Trade Unions called for a general strike on August 3. The overall index fell 4 to 3,651 while the industrial index was off 5 at 4,515 and the gold index lost 6 to 1,091.

AMERICA

Dow firms on continued rate cut hopes

Wall Street

A WEAKER than expected national purchasing managers report boosted investors' hopes for lower interest rates, lifting US share prices across the board in the process, *writes Patrick Harverson in New York.*

The Dow Jones Industrial Average finished 35.58 ahead at 3,354.10, its high for the day. The Standard & Poor's 500 advanced 4.75 to 412.89, while the American SE composite added 3.73 at 383.01 and the Nasdaq composite ended 4.19 higher at 567.79.

Turnover on the New York SE was fairly heavy at 214m shares, and rises outpaced falls by more than two-to-one.

As it has for the past week, speculation about monetary policy remained the dominant influence on market sentiment. An announcement from the National Association of Purchasing Management that its index of nationwide business activity fell from May's 56.3 to 52.8 in June sparked widespread strong buying. The report indicates that the economy is still expanding, albeit very slowly, but analysts had predicted a stronger number.

The figures immediately boosted hopes that the Federal Reserve, which was reviewing monetary policy at its monthly Open Market Committee meeting yesterday, will cut interest rates once more to stimulate economic activity. If today's June employment report is noticeably weak, then the chances of a rate cut will be high, analysts said.

Among individual stocks, General Motors fell $1 to $43 after analysts warned that a write-off at its Hughes Aircraft subsidiary, announced late on Tuesday, could wipe out the carmarker's profits for the first half of this year. GM's class "H" shares, which represent Hughes, fell $3¼ to $22⅝. The other two auto giants were also lower, with Chrysler down $⅛ at $21 and Ford $⅜ cheaper at $45⅝.

Owens-Corning moved ahead $1⅛ to $31¼ after the company settled its lawsuits related to asbestos.

The retailer, Bradlees, a subsidiary of Stop & Shop, made its debut yesterday. With 11m shares offered to the public at $13 each, the stock ended the session at $12⅛ in turnover of 2.6m shares. Stop & Shop, meanwhile, was $⅛ lower at $13⅛.

Systems Center plummeted $2¼ to $6¾ on a warning from the company that it expects to post a significant operating loss in the second quarter.

On the Nasdaq market, Wetterau climbed $3⅛ to $29⅝ in the wake of a deal clinched late on Tuesday whereby Super Valu will buy Wetterau for $30¼ a share in cash.

Oracle Systems rose $2⅛ to $17⅝ after an analyst at broking house Alex Brown upgraded the stock from "neutral" to "buy" in the wake of the company's strong earnings.

Michael's Stores weakened $2⅝ to $17½ after investors reacted negatively to news that the retailer's same store sales during June were up by just 2 per cent.

- Toronto was closed yesterday for Canada Day.

BRAZILIAN equities are recovering after Monday's 14.6 per cent drop, writes Bill Hinchberger from São Paulo.

The Bovespa index rebounded 6.2 per cent on Tuesday and a further 1.3 per cent by noon yesterday, to stand at 20,337.

The calm followed President Fernando Collor de Mello's national broadcast on Tuesday night, pledging to finish his term and defending himself against allegations of corruption. A parliamentary commission is investigating influence peddling and other charges against Mr Collor's former campaign treasurer.

ASIA PACIFIC

Nikkei rises above 16,000 on short-covering

Tokyo

A FALL in short-term interest rates prompted investors to cover short positions, and the Nikkei average rallied above the 16,000 level for the first time in four days, *writes Emiko Terazono in Tokyo.*

The Nikkei put on 373.34, or 2.3 per cent, to 16,325.07. Weak futures dragged the 225-issue average down in the morning to the day's low of 15,731.83. Small-lot index buying and bargain hunting lifted the index in the late afternoon to the session's high of 16,326.07.

Volume remained low, at 200m shares, down from 219m. Rises outnumbered declines by 668 to 259, with 165 issues unchanged. The Topix index of all first section stocks gained 22.78 to 1,258.93, but in London trading the ISE/Nikkei 50 index slipped 4.40 to 993.26.

Futures traders, encouraged by the fall in the overnight call money rate, covered short positions, prompting index-linked buying in the cash market. Small-lot bargain hunting by investment trusts and foreign investors was also seen. However, traders said there was little real buying interest.

High-technology issues were purchased by bargain hunters. Toshiba, the day's most active stock, appreciated Y13 to Y660 and NEC rose Y49 to Y873.

Construction shares, which plunged on Tuesday on worries about large loan guarantees, recovered on short-covering. Nishimatsu Construction rose Y64 to Y979 and Sato Kogyo Y73 to Y783.

Isetan, having fallen some 20 per cent in the previous three days on rumours of financial problems at its leading shareholder, rebounded Y250 to Y1,850 on individual buying.

House Food Industrial dropped Y260 to Y2,040 on reports of problems at its financial subsidiary. The leading food group said it planned to transfer its stockholding in the financial affiliate to another company in the group, thus removing it from its consolidated balance sheet.

In Osaka, the OSE average improved 124.72 to 18,813.74 in volume of 11.8m shares.

Roundup

TOKYO HAD a limited effect on the region. Taiwan and Bangkok were closed for bank holidays, the latter to reopen with extended working hours today. Trading at Bombay remained suspended.

HONG KONG finished at another record high, boosted by expectations of an easing in credit. The Hang Seng index climbed 30.83 to 6,134.75 and turnover leapt to HK$4.43bn from HK$3.46bn.

In spite of Monday's sharp downward correction, most brokers said the underlying tone remained solid, regarding the tumble as the product of futures settlement, and profit-taking following last week's strong rise.

AUSTRALIA's All Ordinaries index firmed 3.0 to 1,647.7 as disappointing economic statistics for May rekindled hopes for an interest rate cut.

NEW ZEALAND closed steady, investors holding back ahead of tonight's government budget, even though no surprises are expected. There was strong buying in some second-line stocks as institutions started a fresh financial period.

The NZSE-40 index edged up 1.41 to 1,522.06. Turnover was NZ$22.4m, including some $7m for Robt Jones Investment shares. The property company announced a NZ$132.9m annual loss after the close on Tuesday, but the shares held yesterday at 21 cents.

MANILA retreated on profit-taking. The composite index shed 31.72 to 1,524.09 and turnover fell to 237.27m pesos from 521.18m. The market was shut on Tuesday for the inauguration of President Fidel Ramos.

Only mining issues posted gains, pushed up by a nine-month high for copper prices.

SEOUL was kept in a tight range by falling customer deposits. The composite index eased 0.05 to 551.98 in turnover of Won189.6bn (Won172.7bn).

KARACHI fell on political unrest in the troubled Sind province, the KSE index closing 24.11 lower at 1,520.90 after a local holiday on Tuesday.

FT-ACTUARIES WORLD INDICES

Jointly compiled by The Financial Times Limited, Goldman, Sachs & Co., and County NatWest/Wood Mackenzie in conjunction with the Institute of Actuaries and the Faculty of Actuaries

NATIONAL AND REGIONAL MARKETS	WEDNESDAY JULY 1 1992								TUESDAY JUNE 30 1992					DOLLAR INDEX		
Figures in parentheses show number of lines of stock	US Dollar Index	Day's Change %	Pound Sterling Index	Yen Index	DM Index	Local Currency Index	Local % chg on day	Gross Div. Yield	US Dollar Index	Pound Sterling Index	Yen Index	DM Index	Local Currency Index	1992 High	1992 Low	Year ago (approx)
Australia (69)	146.66	+0.2	113.78	115.79	115.67	130.61	+0.3	4.19	146.39	113.99	118.45	115.95	130.27	153.68	140.94	141.74
Austria (19)	173.57	+0.1	134.66	137.04	136.89	136.91	-0.6	2.13	173.47	135.07	138.00	137.40	137.76	186.70	162.48	170.12
Belgium (42)	146.02	+0.6	113.29	115.28	115.16	112.35	+0.1	5.47	145.18	113.05	115.43	114.99	112.24	146.19	135.87	124.56
Canada (115)	125.71	-0.3	97.53	99.25	99.14	109.33	+0.0	3.31	126.13	98.22	100.33	99.90	109.33	142.12	124.32	138.28
Denmark (35)	243.93	+0.0	189.25	192.59	192.38	193.42	-0.4	1.84	243.88	189.90	194.02	193.17	194.29	273.94	225.81	237.44
Finland (15)	79.04	+0.8	61.32	62.40	62.34	68.45	+0.0	2.06	78.40	61.05	62.37	62.10	68.47	89.80	73.64	90.00
France (104)	163.26	-0.6	126.66	128.88	128.75	130.73	-1.0	3.56	164.32	127.95	130.71	130.14	132.10	168.75	148.06	121.47
Germany (65)	127.32	+0.7	98.78	100.53	100.41	100.41	+0.2	2.30	126.47	98.48	100.63	100.17	100.17	127.80	114.67	102.61
Hong Kong (55)	259.56	+0.5	201.36	204.91	204.71	257.58	+0.5	3.18	258.38	201.19	205.54	204.66	256.42	259.55	176.36	157.99
Ireland (16)	159.61	+0.2	123.83	126.02	125.88	127.97	-0.2	4.24	159.33	124.07	126.75	126.20	128.25	173.71	151.78	140.86
Italy (78)	68.71	-0.8	53.31	54.25	54.19	58.93	-1.1	3.54	69.25	53.92	55.09	54.85	59.55	80.86	68.39	70.82
Japan (473)	99.01	+2.9	76.81	78.17	78.09	78.17	+2.1	1.09	96.23	74.94	76.56	76.23	76.56	140.95	88.70	127.17
Malaysia (69)	241.01	+0.7	186.98	190.27	190.08	232.57	+0.8	2.69	239.36	186.38	190.41	189.58	230.83	250.18	212.49	228.44
Mexico (18)	1369.10	+0.1	1077.69	1096.71	1095.56	4742.35	+0.1	1.25	1387.45	1080.37	1103.74	1098.95	4738.72	1789.77	1355.22	1021.63
Netherland (25)	162.87	+0.0	126.35	128.58	128.45	127.07	-0.5	4.41	162.84	126.80	129.54	128.98	127.68	165.22	147.86	129.98
New Zealand (14)	46.14	+0.1	35.80	36.43	36.39	45.03	+0.2	5.04	46.08	35.88	36.66	36.50	44.94	48.52	42.01	48.06
Norway (23)	171.05	-1.4	132.70	135.05	134.91	137.91	-1.9	1.84	173.50	135.10	138.02	137.42	140.53	192.95	161.26	184.71
Singapore (38)	223.09	+0.3	173.07	176.13	175.94	166.29	+0.4	2.00	222.37	173.18	176.90	176.13	165.70	229.63	192.76	190.52
South Africa (61)	218.72	-1.2	169.69	172.68	172.50	183.35	-0.1	2.81	221.27	172.30	176.02	175.26	183.57	263.60	203.16	232.69
Spain (50)	150.30	-1.0	116.60	118.67	118.54	109.19	-1.4	5.69	151.85	118.24	120.81	120.28	110.73	181.72	146.66	142.13
Sweden (28)	193.55	-0.1	150.16	152.81	152.65	156.95	-0.6	2.51	193.78	150.89	154.16	153.49	157.92	200.28	173.09	184.76
Switzerland (65)	111.29	+0.0	86.34	87.87	87.78	94.21	-0.6	2.28	111.23	86.61	88.49	88.11	94.79	111.44	95.99	87.00
United Kingdom (227)	190.70	-0.8	147.95	150.56	150.39	147.95	-1.1	5.01	192.20	149.66	152.88	152.22	149.66	200.07	165.85	156.94
USA (522)	168.20	+1.1	130.49	132.80	132.66	168.20	+1.1	2.97	166.33	129.52	132.32	131.75	166.33	171.66	160.92	151.05
Europe (792)	153.54	-0.4	119.12	121.22	121.10	120.72	-0.8	4.02	154.12	120.01	122.61	122.08	121.69	156.88	139.31	127.14
Nordic (101)	179.78	-0.2	139.47	141.94	141.79	139.26	-0.7	2.21	180.08	140.22	143.26	142.64	140.19	188.52	169.66	177.00
Pacific Basin (718)	105.96	+2.5	82.21	83.66	83.57	84.99	+1.8	1.45	103.40	80.51	82.26	81.90	83.45	141.97	94.40	128.40
Euro - Pacific (1510)	125.20	+1.1	97.13	98.84	98.74	99.74	+0.5	2.72	123.89	96.47	98.55	98.12	99.22	145.21	113.80	128.23
North America (637)	165.54	+1.1	128.43	130.71	130.58	164.19	+1.1	2.99	163.80	127.55	130.32	129.77	162.45	169.69	158.70	150.17
Europe Ex. UK (565)	131.03	-0.1	101.66	103.47	103.37	104.88	-0.5	3.31	131.16	102.13	104.36	103.91	105.45	132.08	121.81	109.04
Pacific Ex. Japan (245)	174.38	+0.4	135.29	137.69	137.54	155.50	+0.4	3.44	173.74	135.29	138.24	137.63	154.88	175.31	143.00	140.57
World Ex. US (1704)	127.01	+1.0	98.54	100.29	100.18	102.11	+0.5	2.72	125.81	97.97	100.09	99.66	101.62	146.91	116.45	130.17
World Ex. UK (1999)	135.15	+1.3	104.85	106.71	106.60	119.82	+1.0	2.54	133.47	103.93	106.18	105.73	118.64	150.58	127.21	134.23
World Ex. So. Af. (2165)	139.45	+1.0	108.19	110.11	109.99	121.88	+0.8	2.82	138.00	107.46	109.79	109.31	120.96	153.05	130.04	135.60
World Ex. Japan (1753)	162.80	+0.4	126.31	128.55	128.42	147.95	+0.3	3.37	162.07	126.20	128.95	128.39	147.46	165.40	153.20	142.33
The World Index (2226)	139.94	+1.0	108.57	110.49	110.38	122.43	+0.7	2.82	138.52	107.87	110.20	109.73	121.53	153.70	130.66	136.24

Constituent change with effect 2/7/92: Deletion: Holvis Holzstoff (Bearer) (Switzerland). Canadian market closed July 1.